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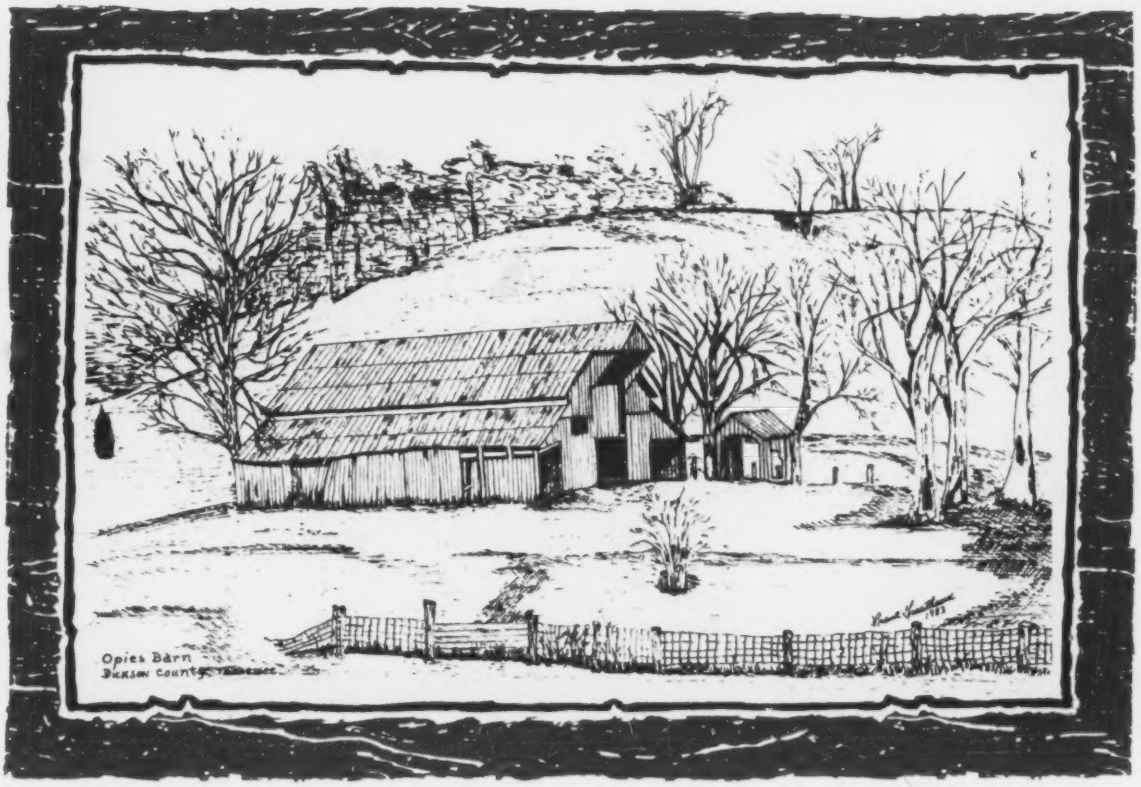
TENNESSEE

Comprehensive Annual Financial Report



June 30, 1987

The cover drawing was done by Frank L. Greathouse. He is an Assistant to Tennessee's Comptroller of the Treasury and the Director of State Audit. Frank has worked vigorously in his fourteen years with the Comptroller's Office to promote and improve governmental accounting. He played a vital role in advancing the Single Audit Concept and in the enactment of the Single Audit Act of 1984. He worked actively to help establish accounting principles for state and local governments as the chairman of the National Council on Governmental Accounting and as the chairman of the State Accounting Project. He also was instrumental in bringing about the formation of the Governmental Accouting Standards Board and served as chairman of the Governmental Accounting Standards Advisory Council. Frank has been president of the National State Auditors Association and is president-elect of the Government Finance Officers Association. He has served on the executive committee of the National Association of State Auditors, Comptrollers and Treasurers and is a member of the board of trustees of the Financial Accounting Foundation.

The line drawing is of Opie's Barn in Dickson County, Tennessee. Line drawing is one of Frank's hobbies. He favors drawing barns, churches, and old homes because they offer a pleasant escape from his many responsibilities and because they represent Tennessee's history. He also paints and does craft woodworking.

Tennessee Comprehensive Annual Financial Report
For the Year Ended June 30, 1987

NED McWHERTER, Governor

DEPARTMENT OF AUDIT
WILLIAM R. SNODGRASS, Comptroller of the Treasury
Division of State Audit
FRANK L. GREATHOUSE,
Director

DEPARTMENT OF FINANCE AND ADMINISTRATION
DAVID L. MANNING, Commissioner
Division of Accounts
DANNY L. CREEKMORE, Chief of Accounts

Tennessee Department of Finance and Administration,
Authorization No. 317048; October, 1987, 1050 copies.
This public document was promulgated at a cost of
$4.57 per copy.

STATE OF TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 1987

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Introductory Section

STATE OF TENNESSEE
DEPARTMENT OF FINANCE AND ADMINISTRATION
STATE CAPITOL
NASHVILLE, TENNESSEE 37219-5175

December 18, 1987

The Honorable Ned McWherter
Governor of the State of Tennessee

In accordance with Section 4-4-114, Tennessee Code Annotated, it is my pleasure to transmit to you the Comprehensive Annual Financial Report of the State of Tennessee for the year ended June 30, 1987. This report has been prepared by the State's Department of Finance and Administration. Responsibility for both the accuracy of the data presented and completeness and fairness of the presentation, including all disclosures, rests with the State. I believe the information as presented is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the State as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain maximum understanding of the State's financial activity have been included.

Accounting System and Budgetary Control

The State's accounting records for general governmental funds are maintained on a modified accrual basis, with revenues being recorded when measurable and available and expenditures being recorded when services or goods are received and the liabilities incurred. Accounting records for expendable trust and agency funds are similarly maintained. The State's proprietary, nonexpendable trust, pension trust and college and university funds are accounted for on the accrual basis.

In developing and modifying the State's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. I believe that the State's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgetary control is maintained at the departmental level by the encumbrance of estimated purchase amounts prior to the release of purchase orders to vendors. Purchase orders which result in an overrun of available balances are not released until budget revisions are approved or additional appropriations are made. Open encumbrances are reported as reservations of fund balance at June 30, 1987.

The Reporting Entity and Its Services

The funds and entities related to the State of Tennessee included in our Comprehensive Annual Financial Report are controlled by or dependent on the State. Determination of "controlled by or dependent on" is based on criteria developed by the Governmental Accounting Standards Board in their Codification of Governmental Accounting and Financial Reporting Standards, Section 2100. The criteria deal with existence as an organized entity; governmental character; and substantial autonomy. Based on these criteria the various funds and account groups (being all the funds and account groups of the State) shown in the Table of Contents are included in this report.

The State provides the full range of services contemplated by statute or character. These include education, health and social services, transportation, law, justice, public safety, recreation and resources development, public improvements and general administrative services.

General Governmental Functions

General governmental functions are accounted for in four governmental funds - the General, Special Revenue, Debt Service and Capital Projects funds. Revenues for general governmental functions totaled $5.3 billion in 1987, an all-time high and an increase of 7% over 1986. Taxes represented 61% of general revenues compared to 60% last year. The amount of revenues from various sources and the changes from last year are shown below (expressed in thousands).

Revenue Source	Amount	Percent of Total	Increase (Decrease) from 1986
Taxes	$ 3,269,689	61.1%	$ 278,957
Licenses, fees and permits	71,819	1.3	9,884
Interest on investments	72,520	1.4	(7,144)
Federal	1,623,824	30.4	39,768
Departmental services	294,701	5.5	23,674
Other	16,825	.3	3,967
	$ 5,349,378	100%	$ 349,106

Governmental fund tax revenues exceeded estimates for the year by $17 million dollars. The greatest tax revenue increment, some $122 million, occurred in sales and use tax where strong increases in collections from auto dealers, manufacturers, grocery stores and restaurants took place. The first full year effect of a 4-cent per gallon tax increase, together with increased consumption fueled by lower prices, resulted in a $79 million increase in gasoline tax revenues. Other tax sources generally increased with no significant variances from 1986. Declining market rates resulted in the decrease in interest on investments. The combination of heightened business activity and increases in certain charges account for the increase in licenses, fees and permits.

Expenditures for general governmental purposes totaled $4.7 billion in 1987, also a record and a 9% increase over the previous year. Changes in expenditures by function from 1986 levels are presented in the following tabulation (expressed in thousands).

Function	Amount	Percent of Total	Increase (Decrease) from 1986
General government	$ 190,744	4.0%	$ 13,257
Education	1,368,750	28.9	97,112
Health and social services	1,824,290	38.6	176,527
Law, justice and public safety	356,893	7.5	56,544
Recreation and resources development	149,999	3.2	5,795
Regulation of business and professions	22,362	.5	2,235
Transportation	648,298	13.7	(5,996)
Debt service	100,191	2.1	21,262
Capital outlay	72,741	1.5	13,573
	$ 4,734,268	100.0%	$ 380,309

Functionally, the largest expenditure increment occurred in health and social services where costs associated with the burgeoning Medicaid program rose some $96 million. Funding of the Tennessee Foundation program (supporting local school system salary and operational expenses), the expanding Career Teacher program and the newly initiated teachers group insurance program accounted for $85 million of the expenditure increase in the education function. Improvement in salaries, benefits, working conditions, and prison facilities accounted for the expenditure increase in law, justice and public safety. The decrease in transportation expenditures is a result of the cyclical nature of construction contract processes, not a decrease in funding. Roads and highways projects under way and planned will result in significant increases in expenditures in 1988 and beyond, bolstered by the substantial increase in gasoline tax revenues indicated above. Debt service expenditures increased as a result of the June 1986 general obligation bond issue. The state's purchase and construction of new office facilities resulted in the increase in capital outlay expenditures.

Ending fund balances for all governmental fund types increased $65 million to $894 million at June 30, 1987, the highest level on record. Of this total, unreserved fund balances aggregated $126 million, down from $136 million a year ago.

Debt Administration

Tennessee continues to receive excellent bond ratings from both Moody's Investors Service (Aaa) and Standard and Poor's Corporation (AA+), reflecting our long-standing record of sound financial management. One general obligation bond issue totaling $113 million was sold in February 1987 at a favorable average interest rate of 5.56%. Proceeds are to be used primarily to fund additional facilities for the Department of Mental Health and Mental Retardation and higher education. As a result of this sale, general long-term bonded debt increased from $627 million at June 30, 1986 to $680 million at June 30, 1987. The following table presents certain data regarding the only other general obligation bonds issued during the previous five fiscal years.

Date of Issue	Amount (Millions)	Average Interest Rate
November 1982	$100	8.37%
June 1986	$196	6.69%

The ratio of net general long-term bonded debt to assessed valuation and the amount of net bonded debt per capita and per family are useful indicators to citizens, investors and management of the State's debt position. At June 30, 1987 these data were as follows:

	Amount	Ratio of Debt to Assessed Value	Debt per Capita	Debt per Family
Net General Long-Term Bonded Debt	$ 678,262,000	2.24%	$140.28	$505.00

Cash Management

In recent years the State Treasurer has pursued an aggressive cash management and investment program. One aspect of this which we believe is unique to Tennessee is our direct access into the Federal Reserve wire system. Through the State Trust of Tennessee, all wire services in the federal system are available via a terminal located in the State's investment offices. This provides the State with unprecedented flexibility in investing and concentrating cash balances and pension fund assets, and in redeeming warrants and checks issued against the Treasury. During fiscal year 1987, uncommitted State funds were invested in short-term collateralized deposits as follows (averaged): certificates of deposit (36%); repurchase agreements (19%); U.S. Treasuries (44%); and money market accounts (1%). The composite average yield on these investments was 6.8%, down from 8.35% last year as interest rates eased.

Risk Management

All State property is insured under an all risk policy for full value, with no upper limit on aggregate claims for losses. The insurance policy has an annual $5 million aggregate deductible which is covered by a $5 million State reserve for casualty losses. The reserve is reimbursed for all claims paid therefrom.

Private Sector

Tennessee capital investments exceeded $1.1 billion in new and expanded enterprises for the first three quarters through September, only the second year the State has exceeded the billion dollar milestone in a nine month period. These investments will create approximately 18,300 new jobs.

Since January, the unemployment rate in Tennessee has dropped from 8.1% to 5.8%, the lowest rate in eight years.

Proprietary Funds

Combined operating results for the State's enterprise funds improved in 1987. Operating revenues were $120 million, the same as in 1986. Operating expenses decreased to $104 million from $108 million the previous year. The Tennessee Housing Development Agency (THDA), created to provide housing loans to lower and moderate income citizens, again paced the enterprise activity ($101 million and $91 million in operating revenues and expenses, respectively). Outstanding enterprise fund bonds at June 30, 1987 totaled $1.1 billion, consisting of $66 million in State Loan Program general obligation bonds and $1 billion in THDA and Local Development Authority revenue bonds.

Combined operating results for the State's internal service funds improved substantially in 1987. Operating revenues and expenses for these cost-reimbursement agencies aggregated $69 million and $50 million, respectively, as compared to 1986 amounts of $60 million and $58 million. The principal internal service operations provide data processing services, third party liability claims processing and motor pool vehicles to other State departments.

College and University Funds

College and University current funds revenues increased 8% to $719 million in 1987. State appropriations to these funds rose 12% to $600 million. The primary highlights in current funds revenues were the increase in income from tuition and fees ($163 million in 1987 vs. $145 million in 1986); and increased auxiliary enterprise hospital revenues ($262 million in 1987 vs. $235 million in 1986) reflecting higher patient occupancies at both university-operated hospitals. Current funds expenditures likewise increased in 1987, up some 9% to $1 billion. The State's commitment to increased pay and benefits for higher education faculty and staff was borne out by this increment. Student loans outstanding at June 30, 1987, primarily from federal government sources, totaled $37 million, down $1 million from last year. Total assets of the endowment and similar funds group rose 29% in 1987 to $74 million. College and university revenue bonded debt decreased $10 million to $263 million at June 30, 1987. Enrollment steadied at 99,000 students; university students decreased by 600 to 80,500 and community college students increased by 1,000 to 19,000.

Pension Plan

Total assets of the State's pension trust fund reached $5.7 billion at June 30, 1987. The latest actuarial valuation of the plan, prepared as of June 30, 1987, indicated that net assets of the pension fund exceeded the actuarially computed value of vested benefits at that date by $1.1 billion. Also, the unfunded accrued liability, based on the present value of benefits for past and future service, decreased to $1.6 billion. The actuarial report further noted that excellent progress in funding continued, the plan termination liability funding ratio increasing to 128% at June 30, 1987.

General Fixed Assets

The general fixed assets of the State are those fixed assets used in the performance of general governmental functions. They exclude the fixed assets of the Enterprise, Internal Service, Nonexpendable Trust and College and University Funds. An inventory of all State-owned land and buildings was completed in 1985, and a computerized real property management system is now in place to maintain this information at cost, estimated historical cost or fair market value, as appropriate. As of June 30, 1987 the State's general fixed assets, based on this inventory, amounted to $927 million.

Independent Audit

State statutes require an annual audit of all fund types and account groups of the State. The accompanying financial statements have been examined by the Division of State Audit, Office of the Comptroller of the Treasury. Their examination was conducted in accordance with generally accepted government auditing standards, and their unqualified opinion appears elsewhere herein.

In conjunction with this examination, the Division of State Audit conducted an organization-wide audit as described in the Single Audit Act of 1984 and Office of Management and Budget Circular A-128, Audits of State and Local Governments. The audit included tests of compliance with applicable federal laws and regulations as well as a study and evaluation of internal controls, including internal accounting and administrative controls used in administering federal financial assistance programs. The results of this single audit are published under separate cover by the Division of State Audit.

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA), awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Tennessee for its Comprehensive Annual Financial Report for the year ended June 30, 1986. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

Past Year's Operations and Future Prospects

Tennessee finished 1987 in a strong financial position, with governmental fund balances increasing by $65 million from 1986 despite a 9% increase in expenditures, reflecting the state's commitment to education reforms including increased pay and benefits for higher education, and improvements in the penal system.

We anticipate that the State's economy will continue to grow, bolstered by record capital investments in the last three years. We will continue to be an attractive location for industry with our favorable business and tax environments. We will continue to refine education reforms to provide better education for our children in schools that are among the best in the nation. We will continue in the forefront of states whose progressive financial reporting conforms with the highest standards of financial accountability and disclosure. This report meets those standards. It could not have been prepared without the cooperation of all state agencies and branches. I especially appreciate the professionalism and dedication demonstrated by my staff.

Respectfully submitted,

David L. Manning

David L. Manning, Commissioner
Department of Finance and Administration

DLM/ej

STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY

William R. Snodgrass
Comptroller

STATE CAPITOL
NASHVILLE, TENNESSEE 37219-5043
PHONE (615) 741-2501

December 18, 1987

To the Members of the General Assembly
of the State of Tennessee
and
The Honorable Ned McWherter, Governor
State of Tennessee

Ladies and Gentlemen:

In accordance with Section 4-3-304, Tennessee Code Annotated, transmitted herewith is the auditor's report on the Comprehensive Annual Financial Report of the State of Tennessee for the fiscal year ended June 30, 1987.

Respectfully,

W. R. Snodgrass
Comptroller of the Treasury

WRS/cj

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Tennessee

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1986

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to governmental units and public employee retirement systems whose comprehensive annual financial reports (CAFR's) are judged to substantially conform to program standards.

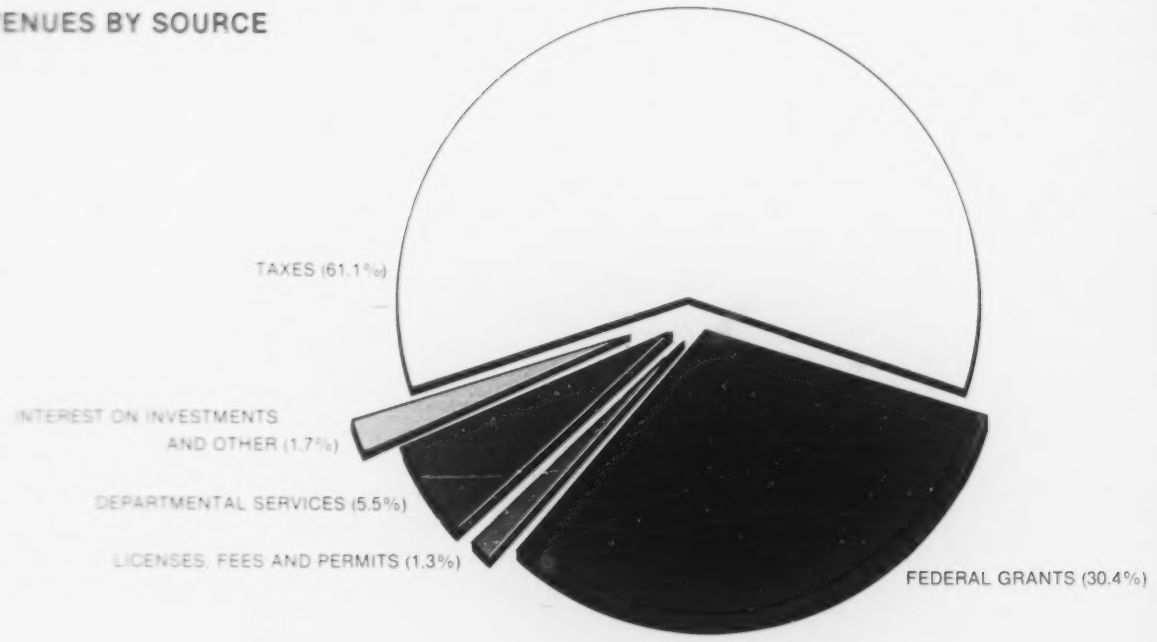
Betty Jo Harker
President

Jeffrey L. Esser
Executive Director

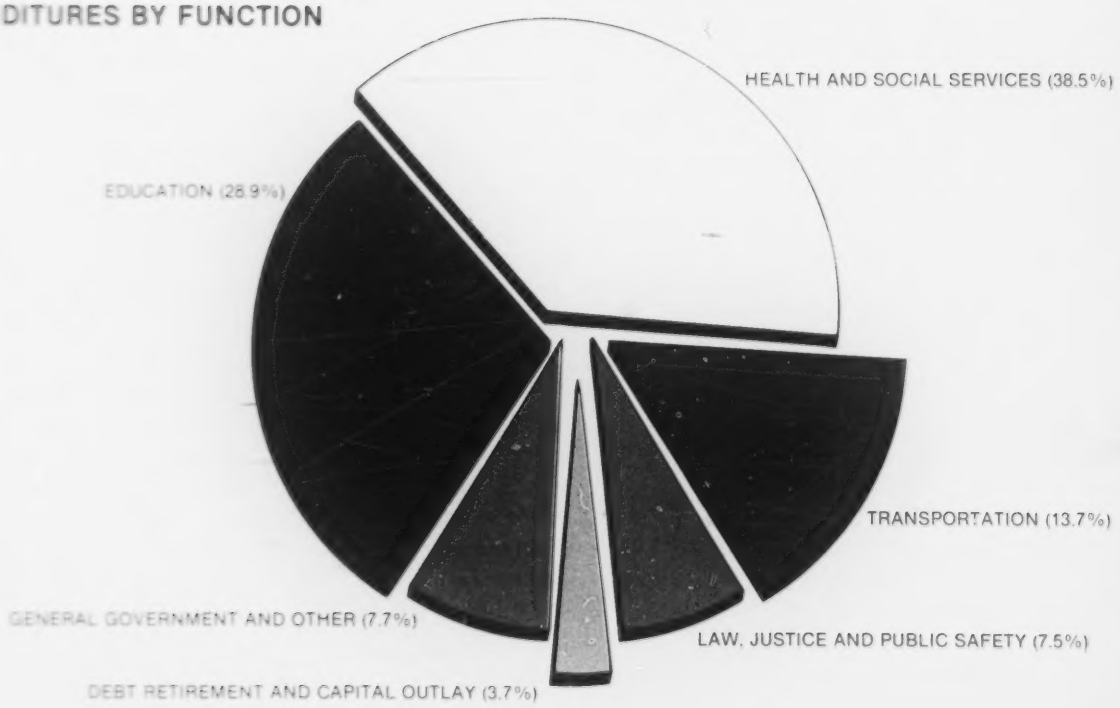
The State of Tennessee was awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada for its Annual Financial Report for the year ended June 30, 1986. Tennessee, Illinois, Maryland, Minnesota, Pennsylvania, Utah, and Virginia are the only states to currently hold a valid Certificate of Achievement.

STATE OF TENNESSEE
GRAPHIC PRESENTATION OF REVENUES AND EXPENDITURES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1987

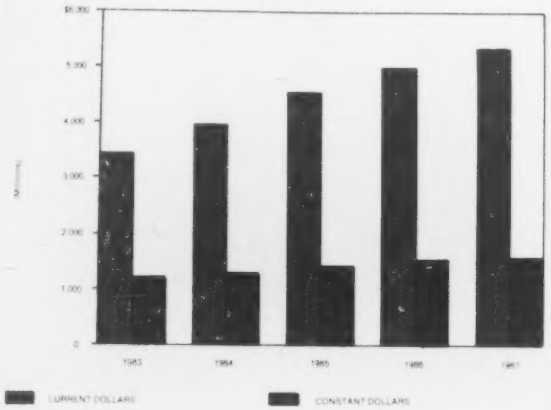
REVENUES BY SOURCE



EXPENDITURES BY FUNCTION

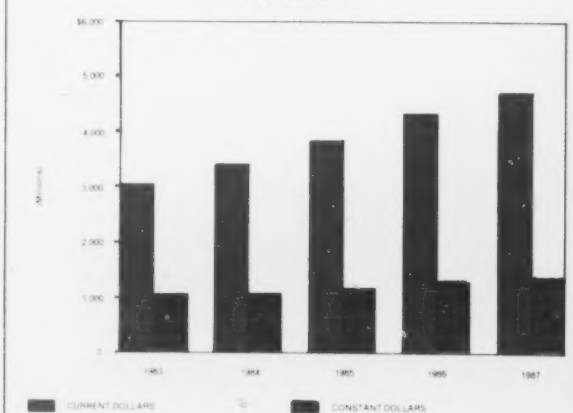

HEALTH AND SOCIAL SERVICES (38.5%)
EDUCATION (26.9%)
TRANSPORTATION (13.7%)
GENERAL GOVERNMENT AND OTHER (7.7%)
LAW, JUSTICE AND PUBLIC SAFETY (7.5%)
DEBT RETIREMENT AND CAPITAL OUTLAY (3.7%)

STATE OF TENNESSEE
REVENUES
ALL GOVERNMENTAL FUND TYPES
LAST FIVE YEARS



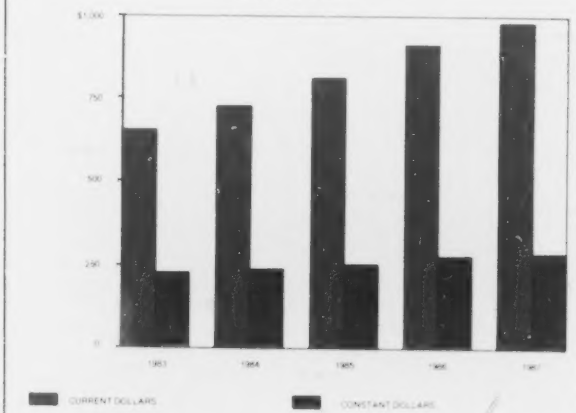
CURRENT DOLLARS	$3,432	$3,945	$4,548	$5,000	$5,349
CONSTANT DOLLARS (1967)	$1,189	$1,267	$1,411	$1,525	$1,573
PERCENT INCREASE OVER PRIOR YEAR IN CURRENT DOLLARS	3.3%	14.9%	15.3%	9.9%	7.0%
PERCENT INCREASE (DECREASE) OVER PRIOR YEAR IN CONSTANT DOLLARS	(2.5%)	6.5%	11.4%	8.1%	3.1%

STATE OF TENNESSEE
EXPENDITURES
ALL GOVERNMENTAL FUND TYPES
LAST FIVE YEARS



CURRENT DOLLARS	$3,043	$3,414	$3,850	$4,354	$4,734
CONSTANT DOLLARS (1967)	$1,055	$1,096	$1,195	$1,328	$1,392
PERCENT INCREASE OVER PRIOR YEAR IN CURRENT DOLLARS	1.8%	12.2%	12.8%	13.1%	8.7%
PERCENT INCREASE (DECREASE) OVER PRIOR YEAR IN CONSTANT DOLLARS	(3.9%)	3.9%	9.0%	11.1%	4.8%

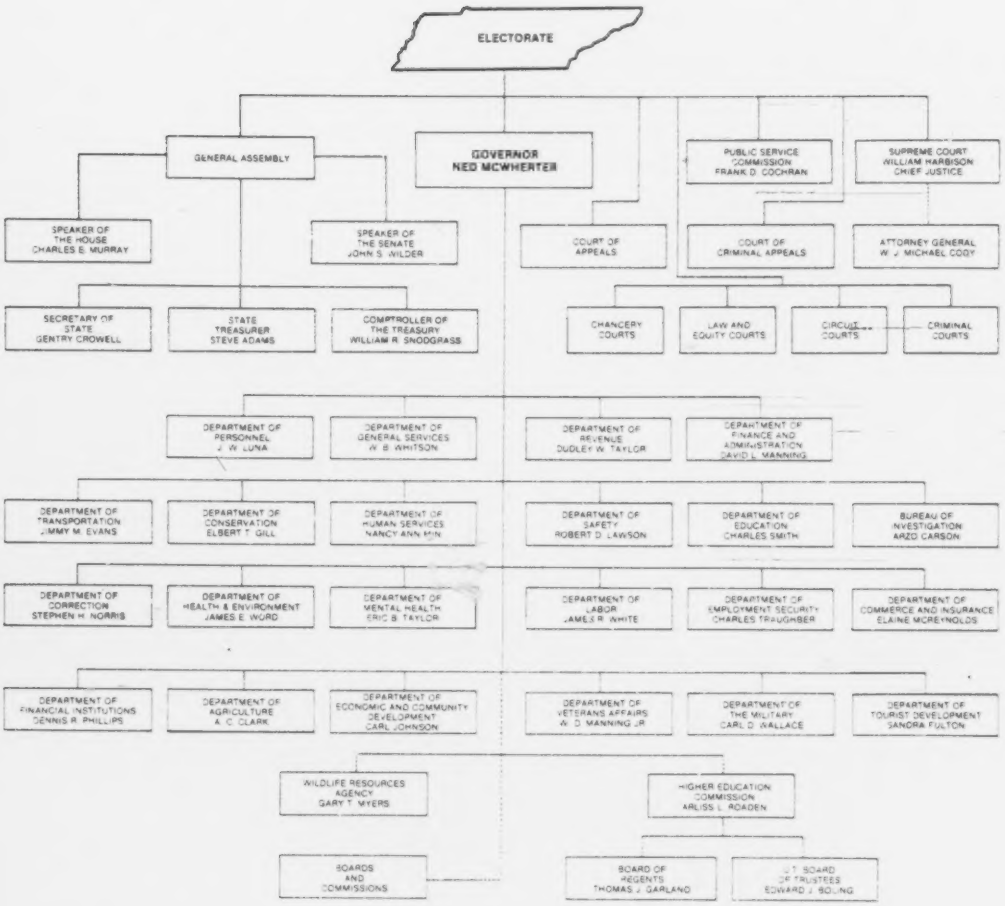
STATE OF TENNESSEE
PER CAPITA EXPENDITURES
ALL GOVERNMENTAL FUND TYPES
LAST FIVE YEARS



CURRENT DOLLARS	$651	$723	$809	$907	$979
CONSTANT DOLLARS (1967)	$226	$232	$251	$277	$288
PERCENT INCREASE OVER PRIOR YEAR IN CURRENT DOLLARS	0.9%	11.1%	11.9%	12.1%	7.9%
PERCENT INCREASE (DECREASE) OVER PRIOR YEAR IN CONSTANT DOLLARS	(4.8%)	2.9%	8.1%	10.2%	4.0%

NOTE: EXPENDITURES EXPRESSED IN CONSTANT DOLLARS WERE DERIVED BY USING THE CONSUMER PRICE INDEX FOR ALL URBAN CONSUMERS.

STATE OF TENNESSEE
ORGANIZATION CHART
1987



Financial Section

STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37219
PHONE (615) 741-3697

December 18, 1987

The Honorable W. R. Snodgrass
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37219

Dear Mr. Snodgrass:

We have examined the combined financial statements of the State of Tennessee and the combining, individual fund, and account group financial statements of the State as of and for the year ended June 30, 1987, as listed in the table of contents. Our examination was made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the combined financial statements referred to above present fairly the financial position of the State of Tennessee at June 30, 1987, and the results of its operations and the changes in financial position of its proprietary fund types and similar trust funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Also, in our opinion, the combining, and individual fund, and account group financial statements referred to above present fairly the financial position of the individual funds and account groups of the State of Tennessee at June 30, 1987, and the results of operations of such funds and the changes in financial position of individual proprietary funds and similar trust funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Our examination was made for the purpose of forming an opinion on the combined financial statements taken as a whole and on the combining, and individual fund, and individual account group financial statements. The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the State of Tennessee. Such information has been subjected to the auditing procedures applied in the examination of the combined, combining, individual fund, and individual account group financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements of each of the respective individual funds and account groups, taken as a whole.

The statistical and economic data, listed in the foregoing table of contents, were not audited by us and, accordingly, we do not express an opinion thereon.

Respectfully,

Frank L. Greathouse

Frank L. Greathouse, CPA, Director
Division of State Audit

FLG/cj

General Purpose Financial Statements

STATE OF TENNESSEE
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1987

(Expressed in Thousands)

	GOVERNMENTAL FUND TYPES			
ASSETS	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
CASH AND CASH EQUIVALENTS	$ 296,969	$ 365,101	$ 6,647	$ 402,005
CASH ON DEPOSIT WITH FISCAL AGENTS				
INVESTMENTS				
RECEIVABLES (Note 1)	200,809	27,433		2,765
ADVANCES TO OTHER FUNDS	4,281			
INTERFUND RECEIVABLES (Note 2)	878	1,229		8,189
INVENTORIES		5,368		
PREPAYMENTS				
LAND				
STRUCTURES AND IMPROVEMENTS				
MACHINERY AND EQUIPMENT				
LESS - ACCUMULATED DEPRECIATION				
CONSTRUCTION IN PROGRESS				
AMOUNT AVAILABLE IN DEBT SERVICE FUND				
AMOUNT TO BE PROVIDED FOR RETIREMENT OF LONG - TERM OBLIGATIONS				
DEFERRED CHARGES AND OTHER				
TOTAL ASSETS	**$ 502,937**	**$ 399,131**	**$ 6,647**	**$ 412,959**
LIABILITIES AND FUND EQUITY				
LIABILITIES:				
WARRANTS PAYABLE	$ 54,469	$ 17,164	$ 6	$ 1,003
ACCOUNTS PAYABLE AND ACCRUALS	251,657	50,247	1,283	10,771
INTERFUND PAYABLES (Note 2)	5,974	1,050		807
ADVANCES FROM OTHER FUNDS		3,018		
NOTES PAYABLE (Note 3)				14,800
BONDS PAYABLE (Note 3)				
CALL PREMIUMS PAYABLE				
LEASE OBLIGATIONS PAYABLE (Note 3)				
DEFERRED REVENUE	530	7,754		176
OTHER	73	7,325		
TOTAL LIABILITIES	**312,703**	**86,558**	**1,289**	**27,557**
FUND EQUITY (Note 2):				
CONTRIBUTED CAPITAL				
INVESTMENT IN FIXED ASSETS				
RETAINED EARNINGS:				
RESERVED FOR BOND RETIREMENT				
RESERVED FOR SEWAGE TREATMENT LOANS				
UNRESERVED				
FUND BALANCES (Note 1):				
RESERVED FOR:				
RELATED ASSETS		5,368		
ENCUMBRANCES AND CONTRACTS	41,420	157,578		50,743
CONTINUING APPROPRIATIONS	36,807			
OTHER SPECIFIC PURPOSES	14,590	122,844	3,900	334,659
UNRESERVED:				
DESIGNATED FOR REVENUE FLUCTUATIONS	75,000			
DESIGNATED FOR HIGHWAY CONSTRUCTION		26,783		
DESIGNATED FOR DEBT SERVICE			1,458	
DESIGNATED FOR TRUST PURPOSES				
DESIGNATED FOR COLLEGES AND UNIVERSITIES				
DESIGNATED FOR OTHER SPECIFIC PURPOSES	263			
UNDESIGNATED	22,154			
TOTAL FUND EQUITY	**190,234**	**312,573**	**5,358**	**385,402**
TOTAL LIABILITIES AND FUND EQUITY	**$ 502,937**	**$ 399,131**	**$ 6,647**	**$ 412,959**

See accompanying Notes to the Financial Statements.

PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES	ACCOUNT GROUPS			TOTALS (MEMORANDUM ONLY)	
ENTERPRISE	INTERNAL SERVICE	TRUST AND AGENCY	GENERAL FIXED ASSETS (Notes 1, 2)	GENERAL LONG-TERM OBLIGATIONS (Note 3)	COLLEGE AND UNIVERSITY	JUNE 30, 1987	JUNE 30, 1986
$ 251,264	$ 52,690	$ 1,437,071			$ 258,298	$ 3,070,045	$ 2,571,336
	1,036	470,023			28,715	499,774	442,185
161,391	68,958	4,912,383			85,259	5,227,991	4,438,079
955,517	1,664	210,976			108,970	1,508,134	1,486,277
						4,281	
2	23	15,479			54,455	80,255	46,348
9	464				22,083	27,924	24,892
	33				1,544	1,577	1,396
29	1,491	—	$ 74,080		55,397	130,997	119,200
98	12,278		662,501		1,210,988	1,885,865	1,815,103
505	64,602	8	175,269		499,010	739,394	689,873
(392)	(32,319)	(5)				(32,716)	(30,911)
			15,008		22,826	37,834	60,329
				$ 1,458		1,458	1,635
				762,879		762,879	694,481
1,665	2,617				6,763	11,045	3,458
$ 1,370,088	$ 173,537	$ 7,045,935	$ 926,858	$ 764,337	$ 2,354,308	$ 13,956,737	$ 12,363,681
$ 1,970	$ 1,031	$ 15,680				$ 91,323	$ 89,783
54,663	28,552	244,105		$ 84,577	$ 120,490	846,345	768,943
25	937	60,891			10,571	80,255	46,348
	1,263					4,281	
61,500	257				35,069	111,626	222,491
1,147,733	68,577			679,720	262,789	2,158,819	1,996,280
733	1,979					2,712	
				40	8,447	8,487	11,069
2,390	614	8,722			28,228	48,414	45,961
		470,574			28,141	506,113	304,973
1,269,014	103,210	799,972		764,337	493,735	3,858,375	3,485,848
3,293	44,326	67,158				114,777	85,119
			$ 926,858		1,485,938	2,412,796	2,287,274
14,310						14,310	13,317
3,258						3,258	2,094
80,213	26,001					106,214	76,917
					40,941	46,309	45,245
					15,616	265,357	224,263
						36,807	23,880
		6,164,528			216,429	6,856,950	5,878,694
						75,000	52,100
						26,783	10,762
						1,458	1,635
		14,277			12,593	26,870	26,311
					89,056	89,056	78,304
						263	71,690
						22,154	228
101,074	70,327	6,245,963	926,858		1,860,573	10,098,362	8,877,833
$ 1,370,088	$ 173,537	$ 7,045,935	$ 926,858	$ 764,337	$ 2,354,308	$ 13,956,737	$ 12,363,681

STATE OF TENNESSEE
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1987

(Expressed in Thousands)

	GOVERNMENTAL FUND TYPES				FIDUCIARY FUND TYPE	TOTALS (MEMORANDUM ONLY) FOR THE YEAR ENDED	
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	EXPENDABLE TRUST	JUNE 30, 1987	JUNE 30, 1986
REVENUES:							
TAXES	$2,758,919	$ 380,922	$ 129,848		$ 198,332	$ 3,468,021	$ 3,187,502
LICENSES, FEES AND PERMITS	42,166	29,653				71,819	61,935
INTEREST ON INVESTMENTS	70,184	2,336			62,635	135,155	128,840
FEDERAL	1,329,454	288,438	92	$ 5,840	11,043	1,634,867	1,598,450
DEPARTMENTAL SERVICES	274,763	18,719		1,219		294,701	271,027
CONTRIBUTIONS					101,603	101,603	93,436
OTHER	8,712	5,054	3,059		159	16,984	12,970
TOTAL REVENUES	4,484,198	725,122	132,999	7,059	373,772	5,723,150	5,354,160
EXPENDITURES:							
CURRENT:							
GENERAL GOVERNMENT	179,752	10,992			118,185	308,929	274,973
EDUCATION	1,367,426	1,324			11,810	1,380,560	1,274,112
HEALTH AND SOCIAL SERVICES	1,821,696	2,594			180,119	2,004,409	1,845,540
LAW, JUSTICE AND PUBLIC SAFETY	356,637	256				356,893	300,349
RECREATION AND RESOURCES DEVELOPMENT	126,524	23,475				149,999	144,204
REGULATION OF BUSINESS AND PROFESSIONS	22,341	21				22,362	20,127
TRANSPORTATION		648,298				648,298	654,294
DEBT SERVICE			100,191			100,191	78,929
CAPITAL OUTLAY				72,741		72,741	59,168
TOTAL EXPENDITURES	3,874,376	686,960	100,191	72,741	310,114	5,044,382	4,651,696
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	609,822	38,162	32,808	(65,682)	63,658	678,768	702,464
OTHER FINANCING SOURCES (USES):							
PROCEEDS FROM BOND SALE				113,075		113,075	196,000
OPERATING TRANSFERS IN	27,873	27,125				54,998	227,456
OPERATING TRANSFERS OUT	(626,522)		(31,285)	(45,184)		(702,991)	(836,983)
TOTAL OTHER FINANCING SOURCES (USES)	(598,649)	27,125	(31,285)	67,891		(534,918)	(413,527)
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	11,173	65,287	1,523	2,209	63,658	143,850	288,937
FUND BALANCES, JULY 1	194,624	247,286	3,835	383,193	474,007	1,302,945	1,026,375
EQUITY TRANSFERS, NET	(15,563)					(15,563)	(12,367)
FUND BALANCES, JUNE 30 (Note 2)	$ 190,234	$ 312,573	$ 5,358	$ 385,402	$ 537,665	$ 1,431,232	$ 1,302,945

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1987

(Expressed in Thousands)

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES		TOTALS (MEMORANDUM ONLY) FOR THE YEAR ENDED	
	ENTERPRISE	INTERNAL SERVICE	NONEXPENDABLE TRUST	PENSION TRUST	JUNE 30, 1987	JUNE 30, 1986
OPERATING REVENUES:						
CHARGES FOR SERVICES	$ 11,462	$ 66,738			**$ 78,200**	$ 65,449
CONTRIBUTIONS				$ 450,239	**450,239**	434,689
INVESTMENT INCOME	108,567	2,151	$ 4,989	651,223	**766,930**	618,642
DISCOUNT AMORTIZATION				75,440	**75,440**	64,689
OTHER		71	4,130		**4,201**	2,514
TOTAL OPERATING REVENUES	**120,029**	**68,960**	**9,119**	**1,176,902**	**1,375,010**	**1,185,983**
OPERATING EXPENSES:						
PERSONAL SERVICES	2,883	12,068			**14,951**	14,320
CONTRACTUAL SERVICES	4,383	6,470		22,994	**33,847**	28,797
MATERIALS AND SUPPLIES	519	8,133			**8,652**	8,933
RENTALS AND INSURANCE	186	5,915			**6,101**	6,860
INTEREST	95,316				**95,316**	101,679
DEPRECIATION AND AMORTIZATION	226	9,747	-1		**9,974**	8,152
BENEFITS		5,916		229,300	**235,216**	218,878
REFUNDS				21,751	**21,751**	21,302
OTHER	773	2,048	3,359		**6,180**	5,737
TOTAL OPERATING EXPENSES	**104,286**	**50,297**	**3,360**	**274,045**	**431,988**	**414,658**
OPERATING INCOME	15,743	18,663	5,759	902,857	**943,022**	771,325
NONOPERATING REVENUES (EXPENSES)	5,773		(9,681)		**(3,908)**	(8,934)
INCOME (LOSS) BEFORE OPERATING TRANSFERS	21,516	18,663	(3,922)	902,857	**939,114**	762,391
OPERATING TRANSFERS IN	1,000		11,181		**12,181**	15,708
INCOME BEFORE EXTRAORDINARY CHARGES	22,516	18,663	7,259	902,857	**951,295**	778,099
EXTRAORDINARY CHARGES (Note 3)	(9,724)				**(9,724)**	
NET INCOME/CHANGE IN RETAINED EARNINGS	**12,792**	**18,663**	**7,259**	**902,857**	**941,571**	**778,099**
OTHER CHANGES IN FUND EQUITY:						
EQUITY TRANSFERS IN (OUT)	87	433	18,176		**18,696**	12,992
CONTRIBUTED FIXED ASSETS		1,556			**1,556**	1,891
CONTRIBUTIONS FROM PRIVATE SOURCES			10,323		**10,323**	4,563
NET CHANGE IN FUND EQUITY	12,879	20,652	35,758	902,857	**972,146**	797,545
FUND EQUITY, JULY 1 (Note 2)	88,195	49,675	59,750	4,709,933	**4,907,553**	4,110,008
FUND EQUITY, JUNE 30	**$ 101,074**	**$ 70,327**	**$ 95,508**	**$ 5,612,790**	**$ 5,879,699**	**$ 4,907,553**

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINED STATEMENT OF CHANGES IN FINANCIAL POSITION
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1987

(Expressed in Thousands)

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES		TOTALS (MEMORANDUM ONLY) FOR THE YEAR ENDED	
	ENTERPRISE	INTERNAL SERVICE	NONEXPENDABLE TRUST	PENSION TRUST	JUNE 30, 1987	JUNE 30, 1986
SOURCES OF WORKING CAPITAL:						
OPERATIONS:						
NET INCOME BEFORE EXTRAORDINARY ITEMS	$ 22,516	$ 18,663	$ 7,259	$ 902,857	$ 951,295	$ 778,099
ITEMS NOT PROVIDING/REQUIRING WORKING CAPITAL:						
DISCOUNT AMORTIZATION	1,223			(75,440)	(74,217)	(63,149)
DEPRECIATION AND AMORTIZATION	168	9,747	1		9,916	8,152
MULTIPLIER BOND ACCRETION	4,900				4,900	4,702
WORKING CAPITAL PROVIDED BY OPERATIONS, EXCLUSIVE OF EXTRAORDINARY ITEMS	28,807	28,410	7,260	827,417	891,894	727,804
EXTRAORDINARY ITEMS	(9,724)				(9,724)	
WORKING CAPITAL PROVIDED BY OPERATIONS	19,083	28,410	7,260	827,417	882,170	727,804
PROCEEDS FROM SALE OF BONDS	172,576				172,576	158,573
DISPOSAL OF MACHINERY AND EQUIPMENT	4	1,465			1,469	1,052
DECREASE IN LOANS TO OTHER GOVERNMENTS	2,863				2,863	2,904
DECREASE IN MORTGAGE LOANS RECEIVABLE	79,255				79,255	12,279
SALE OF LONG-TERM INVESTMENTS	403				403	52,574
EQUITY TRANSFERS IN	87	479	18,176		18,742	13,171
CONTRIBUTIONS FROM PRIVATE SOURCES			10,323		10,323	4,363
DECREASE IN RESTRICTED INVESTMENTS	3,664				3,664	—
DECREASE IN DEFERRED CHARGES						237
INCREASE IN CALL PREMIUM PAYABLE		1,979			1,979	
INCREASE IN LONG-TERM DEBT		68,347			68,547	
INCREASE IN ADVANCE FROM OTHER FUNDS		1,263			1,263	
TOTAL SOURCES OF WORKING CAPITAL	**277,935**	**102,143**	**35,759**	**827,417**	**1,243,254**	**973,157**
USES OF WORKING CAPITAL:						
PURCHASE OF LONG-TERM INVESTMENTS	32,638	68,958	24,424	539,251	665,271	636,581
INCREASE IN NONCURRENT RECEIVABLES	86,460	947			87,407	145,589
INCREASE IN DEFERRED CHARGES	193	2,877			3,070	194
ACQUISITION OF FIXED ASSETS	16	15,100			15,116	14,912
DECREASE IN LONG-TERM DEBT	151,939				151,939	104,093
EQUITY TRANSFERS OUT		46			46	179
TOTAL USES OF WORKING CAPITAL	**271,246**	**87,928**	**24,424**	**539,251**	**922,849**	**901,548**
NET CHANGE IN WORKING CAPITAL	$ 6,689	$ 14,215	$ 11,335	$ 288,166	$ 320,405	$ 71,609
ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL:						
CASH AND CASH EQUIVALENTS	$ 34,516	$ 18,104	$ 8,505	$ 299,658	$ 360,783	$ 200,083
CASH ON DEPOSIT WITH FISCAL AGENT		(8,117)			(8,117)	(60,518)
INVESTMENTS				(10,015)	(10,015)	(33,020)
RECEIVABLES	(575)	628	2,611	5,477	8,141	5,970
INTERFUND RECEIVABLES	(1)	(2,795)	1,479	6,990	5,673	(2,751)
INVENTORIES	(2)	(21)			(23)	151
PREPAID EXPENSES		5			5	(6)
WARRANTS PAYABLE	(477)	654	109	252	538	(1,315)
ACCOUNTS PAYABLE AND ACCRUALS	(3,926)	6,554	624	(24,211)	(20,859)	(68,513)
INTERFUND PAYABLES		(835)	(1,328)		(2,163)	(176)
NOTES PAYABLE	1,000	(257)			743	27,700
CURRENT PORTION OF LONG-TERM DEBT	(24,214)				(24,214)	(29,129)
OTHER	268	295	(665)	10,015	9,913	33,233
NET CHANGE IN WORKING CAPITAL	$ 6,689	$ 14,215	$ 11,335	$ 288,166	$ 320,405	$ 71,609

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINED STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES
ALL COLLEGE AND UNIVERSITY CURRENT FUNDS
FOR THE YEAR ENDED JUNE 30, 1987

(Expressed in Thousands)

			TOTALS FOR THE YEAR ENDED	
	UNRESTRICTED	RESTRICTED	JUNE 30, 1987	JUNE 30, 1986
REVENUES:				
EDUCATIONAL AND GENERAL:				
TUITION AND FEES	$ 163,326		$ 163,326	$ 145,106
FEDERAL APPROPRIATIONS	12,755		12,755	14,452
LOCAL APPROPRIATIONS	1,246		1,246	1,237
FEDERAL GRANTS AND CONTRACTS	13,480	$ 133,206	146,686	145,721
STATE GRANTS AND CONTRACTS	1,898	14,489	16,387	18,013
LOCAL GRANTS AND CONTRACTS	3,467	2,609	6,076	5,584
PRIVATE GIFTS, GRANTS AND CONTRACTS	3,705	47,429	51,134	41,867
ENDOWMENT INCOME	521	4,644	5,165	4,311
SALES AND SERVICES OF EDUCATIONAL ACTIVITIES	32,958		32,958	29,598
SALES AND SERVICES OF AUXILIARY ENTERPRISES AND HOSPITALS	258,318	3,642	261,960	235,231
OTHER SOURCES	21,101	38	21,139	22,534
TOTAL REVENUES	**512,775**	**206,057**	**718,832**	**663,654**
EXPENDITURES AND TRANSFERS:				
EDUCATIONAL AND GENERAL:				
INSTRUCTION	409,876	60,785	470,661	426,385
RESEARCH	27,537	64,887	92,424	79,395
PUBLIC SERVICE	39,187	40,600	79,787	76,716
ACADEMIC SUPPORT	81,899	5,633	87,532	82,145
STUDENT SERVICES	62,537	2,404	64,941	59,959
INSTITUTIONAL SUPPORT	102,284	4,160	106,444	96,457
OPERATION AND MAINTENANCE OF PLANT	83,968	306	84,274	78,773
SCHOLARSHIPS AND FELLOWSHIPS	8,708	41,317	50,025	52,006
EDUCATIONAL AND GENERAL EXPENDITURES	815,996	220,092	1,036,088	952,338
MANDATORY TRANSFERS FOR:				
PRINCIPAL AND INTEREST	5,927		5,927	3,553
ENDOWMENT FUND	529		529	105
LOAN FUND MATCHING GRANT	79		79	96
RESTRICTED CURRENT FUND	213		213	48
NON-MANDATORY TRANSFERS FOR:				
UNEXPENDED PLANT FUNDS	5,228		5,228	1,210
RENEWALS AND REPLACEMENTS	3,361		3,361	748
RETIREMENT OF INDEBTEDNESS				(144)
AUXILIARY ENTERPRISE AND HOSPITALS	(756)		(756)	(1,351)
LOAN FUND MATCHING GRANT	299		299	(8)
ENDOWMENT	7,380		7,380	
STATE GENERAL FUND	(573,887)	(20,853)	(594,740)	(529,606)
STATE CHAIRS OF EXCELLENCE TRUST FUND		3,176	3,176	625
TOTAL EDUCATIONAL AND GENERAL	264,369	202,415	466,784	427,614
AUXILIARY ENTERPRISES AND HOSPITALS:				
EXPENDITURES	228,209	3,642	231,851	207,041
MANDATORY TRANSFERS FOR:				
PRINCIPAL AND INTEREST	14,579		14,579	17,406
RENEWALS AND REPLACEMENTS	18		18	21
NON-MANDATORY TRANSFERS FOR:				
RENEWALS AND REPLACEMENTS	1,819		1,819	3,124
UNEXPENDED PLANT FUNDS	1,744		1,744	4,448
EDUCATIONAL AND GENERAL FUNDS	756		756	1,351
RETIREMENT OF INDEBTEDNESS	6,615		6,615	
TOTAL AUXILIARY ENTERPRISE AND HOSPITAL EXPENDITURES AND TRANSFERS	253,740	3,642	257,382	233,391
TOTAL CURRENT EXPENDITURES AND TRANSFERS	**518,109**	**206,057**	**724,166**	**661,005**
OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS):				
EXCESS OF RESTRICTED OVER TRANSFER TO REVENUE		14,513	14,513	25,774
INDIRECT COST RECOVERIES		(15,121)	(15,121)	(13,935)
TRANSFERS TO FUNDS	637	5,270	5,907	(3,360)
REFUNDED TO GRANTORS		(369)	(369)	(413)
OTHER ADDITIONS (DEDUCTIONS)	6,373	(19)	6,854	2,491
NET INCREASE IN FUND BALANCES	**$ 2,176**	**$ 4,274**	**$ 6,450**	**$ 13,206**

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINED STATEMENT OF CHANGES IN FUND BALANCES
ALL COLLEGE AND UNIVERSITY FUNDS
FOR THE YEAR ENDED JUNE 30, 1987

(Expressed in Thousands)

	CURRENT FUNDS			ENDOWMENT AND	
	UNRESTRICTED	RESTRICTED	LOAN	SIMILAR	LIFE INCOME
REVENUES AND OTHER ADDITIONS:					
EDUCATIONAL AND GENERAL REVENUES	$ 254,457				
AUXILIARY ENTERPRISES AND HOSPITALS	258,318				
GRANTS AND CONTRACTS-RESTRICTED		$206,868	$ 1,019	$ 6,738	$ 571
GIFTS AND REQUESTS-RESTRICTED		10,003	108	2,258	
REALIZED GAINS ON INVESTMENTS				2,673	458
INTEREST ON LOANS RECEIVABLE			1,043		
INVESTMENT INCOME - RESTRICTED		209	201	63	1,185
ENDOWMENT INCOME		3,370	36	359	
BONDS AND NOTES ISSUED					
RETIREMENT OF INDEBTEDNESS					
EQUIPMENT USE CHARGES					
STUDENT DEBT SERVICE FEES					
EXPENDED FOR PLANT FACILITIES				16	
OTHER	6,936	348	451	183	
TOTAL REVENUES AND OTHER ADDITIONS	**519,711**	**220,798**	**2,858**	**12,290**	**2,214**
EXPENDITURES AND OTHER DEDUCTIONS:					
EDUCATIONAL AND GENERAL EXPENDITURES	815,996	220,091			
AUXILIARY ENTERPRISES EXPENDITURES	228,209	3,642			
INDIRECT COSTS RECOVERED		15,006	1		
REFUNDED TO GRANTORS		369	58		
LOAN CANCELLATIONS AND WRITE-OFFS			3,246		
ADMINISTRATIVE AND COLLECTION COSTS			291		
EXPENDED FOR PLANT FACILITIES					
RETIREMENT OF INDEBTEDNESS					
INTEREST ON INDEBTEDNESS					
DISPOSAL OF PLANT FACILITIES					
PAYMENTS TO BENEFICIARIES					1,172
BONDS AND NOTES ISSUED					
OTHER	63	375	449	4,197	9
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	**1,044,268**	**239,483**	**4,045**	**4,197**	**1,181**
TRANSFERS AMONG FUNDS ADDITIONS (DEDUCTIONS):					
MANDATORY:					
PRINCIPAL AND INTEREST	(20,506)				
LOAN FUND MATCHING GRANT	(79)		79		
ENDOWMENT FUNDS	-(529)	5		1,237	(713)
RENEWALS AND REPLACEMENTS	(18)				
RESTRICTED CURRENT FUND	(213)	16		(575)	(4)
NON-MANDATORY:					
UNRESTRICTED CURRENT FUND	20				
RESTRICTED CURRENT FUNDS		2		(2)	
ENDOWMENT FUNDS	(7,380)		(8)	7,488	
LOAN FUNDS	(299)		299		
UNEXPENDED PLANT FUNDS	(6,356)	(322)			
RENEWALS AND REPLACEMENTS	(5,179)				
RETIREMENT OF INDEBTEDNESS	(6,615)				
STATE GENERAL FUND AND CAPITAL PROJECTS FUND	573,887	26,434			
STATE INTERNAL SERVICE FUND					
STATE CHAIRS OF EXCELLENCE TRUST FUND		(3,176)			
TOTAL TRANSFERS AMONG FUNDS	**526,733**	**22,959**	**370**	**8,148**	**(717)**
NET INCREASE (DECREASE) FOR THE YEAR	**2,176**	**4,274**	**(817)**	**16,241**	**316**
FUND BALANCES, JULY 1	62,931	40,997	43,665	57,223	16,985
FUND BALANCES, JUNE 30	**$ 65,107**	**$ 45,271**	**$ 42,848**	**$ 73,464**	**$ 17,301**

See accompanying Notes to the Financial Statements.

PLANT FUNDS				TOTALS (MEMORANDUM ONLY) FOR THE YEAR ENDED	
UNEXPENDED PLANT	RENEWAL AND REPLACEMENT	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT	JUNE 30, 1987	JUNE 30, 1986
				$ 254,457	$ 237,458
				258,318	232,613
$ 179		$ 386		215,761	215,835
8,779		727	$ 1,402	23,277	15,646
				3,131	2,851
				1,043	1,008
1,620	$ 1,066	8,004		12,348	8,853
				3,765	3,212
909				909	31,779
38			20,255	20,293	9,868
	4,298	212		4,510	3,691
		5,019		5,019	4,563
			150,759	150,775	147,452
1,548	180	214	3,099	12,959	33,556
13,073	5,544	14,562	175,515	966,565	948,385
				1,036,087	952,330
				231,851	207,049
				15,007	13,935
				427	571
				3,246	537
		15		306	359
83,101	4,885			87,986	90,739
		18,620		18,620	9,610
5		20,372	10	20,387	18,868
			24,384	24,384	17,708
				1,172	972
2,831			1,712	4,543	62,567
5,167	234	708	11,425	22,627	16,247
91,104	5,119	39,715	37,531	1,466,643	1,391,492
		20,506			
	18				
722		54			
		(20)			
		(100)			
6,778	(86)	(14)			
(144)	5,323				
	(659)	7,274			
34,787		704		635,812	593,820
			43	43	
				(3,176)	(625)
42,143	4,596	28,404	43	632,679	593,195
(35,888)	5,021	3,251	138,027	132,601	150,088
86,862	20,998	50,400	1,347,911	1,727,972	1,577,884
$ 50,974	$ 26,019	$ 53,651	$1,485,938	$ 1,860,573	$ 1,727,972

STATE OF TENNESSEE
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND AND ALL SPECIAL REVENUE FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1987

(Expressed in Thousands)

	GENERAL FUND		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)
SOURCES OF FINANCIAL RESOURCES:			
FUND BALANCES (BUDGETARY BASIS), JULY 1	$ 157,263	$ 157,263	
ADD - ENCUMBRANCE AND CONTRACT RESERVES REAPPROPRIATED	37,239	37,239	
ADJUSTED FUND BALANCES (BUDGETARY BASIS), JULY 1	194,502	194,502	
REVENUES:			
TAXES	2,744,803	2,758,919	$ 14,116
LICENSES, FEES AND PERMITS	39,776	42,166	2,390
INTEREST ON INVESTMENTS	70,983	70,184	(799)
FEDERAL	1,457,981	1,329,454	(128,527)
DEPARTMENTAL SERVICES	289,438	274,324	(15,114)
OTHER	2,017	8,712	6,695
OTHER FINANCING SOURCES - TRANSFERS IN	27,873	27,873	
TOTAL SOURCES OF FINANCIAL RESOURCES	**4,827,373**	**4,706,134**	**(121,239)**
USES OF FINANCIAL RESOURCES:			
EXPENDITURES AND ENCUMBRANCES:			
GENERAL GOVERNMENT			
LEGISLATIVE	13,151	12,795	356
SECRETARY OF STATE	16,666	14,201	2,465
COMPTROLLER	28,665	25,899	2,766
TREASURER	7,118	6,456	662
PUBLIC SERVICE COMMISSION			
GOVERNOR	3,330	3,085	245
COMMISSIONS	45,046	39,797	5,249
FINANCE AND ADMINISTRATION	8,146	7,619	527
PERSONNEL	5,556	5,193	363
GENERAL SERVICES	20,705	19,249	1,456
REVENUE	38,385	37,941	944
OTHER GENERAL GOVERNMENT	12,394	9,325	3,069
	199,562	181,360	18,102
EDUCATION	1,406,201	1,367,891	38,310
HEALTH AND SOCIAL SERVICES			
VETERANS AFFAIRS	1,297	1,264	33
EMPLOYMENT SECURITY	52,558	36,069	16,489
LABOR	90,608	68,267	22,341
MENTAL HEALTH AND MENTAL RETARDATION	256,696	244,900	11,796
HEALTH AND ENVIRONMENT	1,029,557	1,086,225	(56,668)
HUMAN SERVICES	467,513	415,077	52,436
	1,898,229	1,851,802	46,427
LAW, JUSTICE AND PUBLIC SAFETY			
JUDICIAL	56,466	53,725	2,741
CORRECTION	249,517	229,591	19,926
MILITARY	25,082	15,835	9,247
BUREAU OF CRIMINAL INVESTIGATION	13,672	12,051	1,621
SAFETY	56,701	52,291	4,410
	401,438	363,493	37,945
RECREATION AND RESOURCES DEVELOPMENT			
AGRICULTURE	15,201	14,356	845
TOURIST DEVELOPMENT	10,940	10,603	337
CONSERVATION	68,720	61,502	7,218
WILDLIFE RESOURCES			
ECONOMIC AND COMMUNITY DEVELOPMENT	84,706	41,626	43,080
	179,567	128,087	51,480
REGULATION OF BUSINESS AND PROFESSIONS			
COMMERCE AND INSURANCE	19,446	18,691	755
FINANCIAL INSTITUTIONS	3,999	3,819	180
	23,445	22,510	935
TRANSPORTATION			
OTHER FINANCING USES - TRANSFERS OUT	642,085	642,085	
TOTAL USES OF FINANCIAL RESOURCES	**4,750,627**	**4,557,428**	**193,199**
FUND BALANCES (BUDGETARY BASIS), JUNE 30 (Note 2)	**$ 76,746**	**$ 148,706**	**$ 71,960**

See accompanying Notes to the Financial Statements.

SPECIAL REVENUE FUNDS			TOTALS (MEMORANDUM ONLY)		
BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)
$ 42,678	$ 42,678		$ 199,941	$ 199,941	
204,609	204,609		241,848	241,848	
247,287	247,287		441,789	441,789	
378,208	380,922	$ 2,714	3,123,011	3,139,841	$ 16,830
23,012	29,652	6,640	62,788	71,818	9,030
	2,336	2,336	70,983	72,520	1,537
286,166	288,439	2,273	1,744,147	1,617,893	(126,254)
17,624	18,719	1,095	307,062	293,043	(14,019)
3,878	5,054	1,176	5,895	13,766	7,871
27,124	27,124		54,997	54,997	
983,299	999,533	16,234	5,810,672	5,705,667	(105,005)
			13,151	12,795	356
			16,666	14,201	2,465
			28,665	25,899	2,766
8,972	3,246	5,726	16,090	9,702	6,388
10,041	7,852	2,189	10,041	7,852	2,189
			3,330	3,085	245
			45,046	39,797	5,249
			8,146	7,619	527
			5,556	5,193	363
			20,705	19,249	1,456
			38,885	37,941	944
			12,394	9,325	3,069
19,013	11,098	7,915	218,675	192,658	26,017
1,400	1,323	77	1,407,601	1,369,214	38,387
			1,297	1,264	33
			52,558	36,069	16,489
			90,608	68,267	22,341
			256,696	244,900	11,796
4,349	2,598	1,751	1,033,906	1,088,823	(54,917)
			467,513	415,077	52,436
4,349	2,598	1,751	1,902,578	1,854,400	48,178
			56,466	53,725	2,741
			249,517	229,591	19,926
			25,082	15,835	9,247
			13,672	12,051	1,621
344	261	83	57,045	52,552	4,493
344	261	83	401,782	363,754	38,028
			15,201	14,356	845
			10,940	10,603	337
			68,720	61,502	7,218
26,911	23,984	2,927	26,911	23,984	2,927
			84,706	41,626	43,080
26,911	23,984	2,927	206,478	152,071	54,407
104	20	84	19,550	18,711	839
			3,999	3,819	180
104	20	84	23,549	22,530	1,019
898,360	896,758	1,602	898,360	896,758	1,602
			642,085	642,085	
950,481	936,042	14,439	5,701,108	5,493,470	207,638
$ 32,818	$ 63,491	$ 30,673	$ 109,564	$ 212,197	$ 102,633

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation - The accompanying financial statements of the State of Tennessee have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. The financial statements of the College and University Funds have been prepared in conformity with generally accepted accounting principles for colleges and universities as prescribed by the National Association of College and University Business Officers and the American Institute of Certified Public Accountants. Certain amounts presented for the preceding year have been reclassified for comparative purposes.

B. Financial Reporting Entity - For financial reporting purposes the State of Tennessee includes all fund types, account groups, departments and agencies of the state, as well as boards, commissions, authorities, colleges and universities, over which the state's executive, legislative and judicial branches exercise oversight responsibility. This complies with Governmental Accounting Standards Board Codification of Governmental Accounting and Financial Reporting Standards, Section 2100. Oversight responsibility is defined to include the following considerations:

1. Selection of governing authority;
2. Designation of management;
3. Ability to significantly influence operations;
4. Accountability for fiscal matters;
5. Scope of public service; and/or
6. Special financing relationships.

C. Fund Structure and Basis of Accounting - The financial activities of the state reported in the accompanying statements are classified into four fund categories and two account groups, all described below. The fund categories include governmental funds, proprietary funds, fiduciary funds, and college and university funds. Account groups are presented for general fixed assets and general long-term obligations.

The state's governmental funds include:

1. the General Fund - used to account for all financial transactions not required to be accounted for in other funds;
2. the Special Revenue Funds - used to account for specific revenues earmarked to finance particular or restricted programs and activities;
3. the Debt Service Fund - used to account for the payment of principal and interest on general long-term debt; and
4. the Capital Projects Fund - used to account for the acquisition or construction of all major governmental capital facilities.

All of the governmental funds are accounted for on the modified accrual basis of accounting. In accordance with this basis, revenues are recognized when they become susceptible to accrual; that is, when they become both measurable and available to finance expenditures of the current period. Principal revenue sources accounted for on the modified accrual basis include federal grants ($1.6 billion), departmental services ($295 million) and interest on investments ($73 million). Sales taxes ($1.9 billion), petroleum and vehicular-related taxes and fees, licenses, gross receipts taxes and other miscellaneous revenue sources are accounted for on the cash basis. Expenditures are recognized at the time fund liabilities are incurred except:

a. Inventories generally are considered expenditures when consumed;
b. Prepayments usually are not recorded; and
c. Interest on long-term debt is recorded when due.

Encumbrance accounting is utilized for budgetary control purposes. Encumbrances outstanding at year-end are reported as reservations of fund balance for subsequent year expenditure.

The proprietary funds include:

1. the Enterprise Funds - used to account for the operations of self-sustaining state agencies providing goods or services to the general public on a user-charge basis; and
2. the Internal Service Funds - used to account for the operations of self-sustaining state agencies providing goods or services to other state agencies on a cost-reimbursement basis.

The proprietary funds are accounted for on the accrual basis.

The fiduciary funds represent Trust and Agency Funds which are used to account for assets held by the state in a trust or agency capacity. These funds include:

1. the Expendable Trust Funds - used to account for the activities of trusts whose principal and income may be used for purposes of the trust;
2. the Nonexpendable Trust Funds - used to account for the activities of trusts whose income is used to fund the trust purpose but whose principal is to be maintained intact;
3. the Pension Trust Fund - used to account for the activities of the state-administered retirement system; and
4. the Agency Funds - used to account for amounts held in trust for others.

Expendable Trust and Agency Funds are accounted for on the modified accrual basis of accounting. Nonexpendable and Pension Trust Funds are accounted for on the accrual basis.

The college and university funds include:

1. Current Funds - used to account for resources that will be expended in the near term—for operating purposes of the institutions. These include (a) unrestricted funds over which the governing boards retain full control in achieving the institutions' purposes and (b) restricted funds which may be utilized only in accordance with externally-restricted purposes;
2. Fiduciary Funds - used to account for assets held by loan, endowment, life income and agency funds in which the universities act in a fiduciary capacity; and
3. Plant Funds - used to account for institutional property acquisition, renewal, replacement, debt service and investment.

The college and university funds are accounted for on the accrual basis of accounting with the following exceptions:

a. Depreciation expense related to plant fund assets is not recorded; and
b. Revenues and expenditures of an academic term encompassing more than one fiscal year are solely reported in the fiscal year in which the term is predominantly conducted.

The account group for general fixed assets is maintained to account for all fixed assets acquired or constructed for use by the state, other than those accounted for in the proprietary, fiduciary, and college and university funds.

The account group for general long-term obligations is maintained to account for general obligation bonds outstanding, accrued annual and compensatory leave, and capital lease obligations not otherwise recorded in proprietary, fiduciary, and college and university funds.

D. Budgetary Process - Legislation requires the Governor to present his proposed budget to the General Assembly at the beginning of each annual session. The General Assembly enacts the budget through passage of specific departmental appropriations, the sum of which may not exceed estimated revenues. Before signing the Appropriations Act, the Governor may veto or reduce any specific appropriation, subject to legislative override. Once passed and signed, the budget becomes the state's financial plan for the coming year.

Budgetary control is maintained at the departmental level. Budget revisions during the year, reflecting program changes or intradepartmental transfers of an administrative nature, may be effected with certain executive and legislative branch approval. Only the legislature, however, may transfer appropriations between departments.

Unencumbered appropriations lapse at the end of each fiscal year. In order to provide sufficient funding for several programs during the year, supplemental appropriations of $13.7 million were required.

The state's annual budget is prepared on the modified accrual basis of accounting with several exceptions, principally the effect of encumbrance and contract obligations. Because these exceptions represent departures from generally accepted accounting principles (GAAP), actual amounts in the accompanying budgetary comparison statement are presented on the budgetary basis. A reconciliation of the differences between the budgetary and GAAP bases is presented in Note 2B. The budgetary comparison statement includes the General Fund and all Special Revenue Funds.

E. Cash and Cash Equivalents - In addition to bank accounts and petty cash, this classification includes all short-term investments such as certificates of deposit, repurchase agreements and U. S. Treasury bills, bonds and notes. These investments are stated at cost which at June 30, 1987 approximated market. Collateral, as required by law, is pledged by the various banks and government securities dealers to guarantee state funds placed with them. In addition, the state is custodian for other securities, not reported in the accompanying financial statements, which collateralize contractor/vendor performance.

F. Investments - This classification includes long-term investments, principally the Pension Trust Fund portfolio, which are stated at cost or amortized cost aggregating $5.2 billion. At June 30, 1987 the market value of these investments approximated $5.9 billion. Debt securities included in this classification are expected to be held to maturity and redeemed at face value. Investments in the Deferred Compensation Fund are valued at market.

G. Receivables - Receivables in the state's governmental and fiduciary funds primarily consist of interest and federal revenues, both recorded when earned. The remaining governmental fund revenues are not considered susceptible to accrual prior to receipt; accordingly, most taxes, licenses, fees, permits and similar revenues are recognized on the cash basis. Certain Trust Fund receivables of $77 million, representing taxes and benefit overpayments, have been reduced by a $14 million allowance for uncollectibles. Receivables in all other funds have arisen in the ordinary course of business. College and University receivables of $143 million have been reduced by a $33 million uncollectible allowance.

H. Interfund Transactions - The state basically has four types of interfund transactions, as follows:

1. Services rendered and employee benefit contributions. These transactions are accounted for as revenues, expenditures or expenses in the funds involved.
2. Operating appropriations/subsidies. These are accounted for as operating transfers in the funds involved.
3. Equity contributions. These are accounted for as equity transfers (additions to or deductions from beginning governmental fund balances or proprietary fund contributed capital).
4. College and university interfund borrowings. These transactions represent borrowings of a temporary nature and are reported as assets of the college and university fund making the advance and as liabilities of the fund receiving the advance.

The composition of the state's interfund receivables and payables at June 30, 1987 is presented in Note 2E.

I. Inventories - Inventories of materials and supplies are determined by physical count and are valued at the lower of cost (principally average cost) or market.

J. Fixed Assets and Depreciation - General fixed assets are presented in the accompanying financial statements at cost or estimated historical cost. Donated fixed assets are stated at fair market value at the time of donation. Interest during construction has not been capitalized. Also, certain public domain fixed assets (including highways, bridges, highway lands and rights-of-way) are not capitalized. No depreciation is provided on general fixed assets.

Enterprise, Internal Service and Nonexpendable Trust Fund fixed assets are stated at cost. They are being depreciated principally on a straight-line basis over estimated useful lives ranging from 20 to 50 years for Structures and Improvements and 5 to 10 years for Machinery and Equipment. Certain state land and buildings, headquartering several proprietary operations, are reported in the General Fixed Assets Account Group at cost or estimated historical cost as described above. Because of the advanced age of the buildings involved, the omission of these fixed assets and related depreciation is not deemed material to financial position or results of operations of the applicable Enterprise and Internal Service Funds.

Generally, College and University Fund fixed assets are stated at cost and are not depreciated. Because of the magnitude of library holdings, however, it has been the state's policy to value library books at a standard amount per volume, currently $20, which approximates cost.

A statement of changes in general fixed assets for the year ended June 30, 1987 is presented in Note 2C.

K. Accumulated Unpaid Vacation and Sick Pay - The state's liability for accumulated unpaid annual and compensatory time is reported in the accompanying General Long-Term Obligations Account Group for all governmental fund types. In the proprietary fund types and the college and university funds, this obligation is reported as a current liability.

There is no liability in the accompanying financial statements for unpaid accumulated sick leave since it is the state's policy to record the cost of sick leave only when paid. See Note 6A. for disclosure of the amount of this contingency.

L. Fund Balance Reserves and Designations - The state's fund balance reserves represent those portions of fund balance (1) not appropriable for expenditure or (2) legally segregated for a specific future use. In the accompanying Combined Balance Sheet, reserves for related assets such as inventories and petty cash are examples of the former. Reserves for encumbrances, contracts, continuing appropriations and other specific purposes are examples of the latter.

Specific purpose reserves represent current and past legislative appropriations requiring year-end segregation. A summary of the nature and purpose of these reserves at June 30, 1987 by fund type follows (expressed in thousands).

Reserved for Other Specific Purposes	General	Special Revenue	Debt Service	Capital Projects	Trust and Agency	College and University
Casualty Losses	$ 5,000					
Capital Outlay				$334,659		$ 47,780
Highway Construction		$ 91,504				
Wildlife Resources Program		12,107				
Hazardous Waste Program		9,279				
Criminal Injuries Program		2,587				
Unemployment Benefits					$ 525,062	
Pension Benefits					5,612,790	
Restricted Gifts, Grants and Contracts						168,649
Student Loan Program					16,618	
Higher Education Chairs of Excellence					7,880	
Advances to Other Funds	4,280					
Other Non-Lapsing and Special Revenue Programs	5,310	7,367	$ 3,900		2,178	
Totals	$14,590	$122,844	$ 3,900	$334,659	$6,164,528	$ 216,429

The state's fund balance designations reflect tentative plans for future use of financial resources. The General Fund designation for revenue fluctuations has been established as protection in the event of future revenue shortfalls or expenditure overruns. The designation for other specific purposes of $263 thousand is for the Industries for the Blind. This represents appropriations made by the Legislature to carry out tentative managerial plans for fiscal year 1988.

M. Totals (Memorandum Only) - The "Totals (Memorandum Only)" column represents an aggregation of the individual combined financial statements. The totals column is presented for overview informational purposes and does not represent consolidated financial information.

NOTE 2 - OTHER ACCOUNTING DISCLOSURES

A. Individual Fund Deficits - Although the following three individual funds have retained earnings deficits at June 30, 1987 (expressed in thousands), only one, the State Employees Cafeteria, has a negative fund equity position at that date:

Enterprise Funds		Internal Service Funds
Federal Property Utilization	State Employees Cafeteria	Building Management
$ (91)	$ (318)	$ (1,392)

Increases in fees and charges for services and products are expected to eliminate deficits in fiscal years 1988 and beyond.

B. Budgetary Basis vs. GAAP - The accompanying Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund and All Special Revenue Fund Types presents comparisons of the legally adopted budget with actual data on a budgetary basis. Since the budgetary and GAAP presentations of actual data differ, a reconciliation of the two is presented below (expressed in thousands).

	General Fund	All Special Revenue Funds
Fund Balances (Budgetary Basis), June 30, 1987	$ 148,706	$ 63,491
Add:		
Reserve for encumbrances and contracts	41,420	157,578
Unbudgeted court fee income	108	
Highway construction appropriations carried forward		91,504
Fund Balances (GAAP Basis), June 30, 1987	$ 190,234	$ 312,573

The budget and actual statement indicates that the legally authorized expenditure level for the Department of Health and Environment was exceeded by $56.7 million for the fiscal year. The burgeoning Medicaid program, which required a substantial year-end accrual for estimated incurred but unpaid claims, was the principal reason for this unfavorable variance.

C. General Fixed Assets - A statement of changes in general fixed assets for the year ended June 30, 1987 is shown below (expressed in thousands).

	Land	Structures and Improvements	Machinery and Equipment	Construction in Progress	Totals
Balance, July 1, 1986	$ 65,619	$ 677,082	$ 182,734	$ 13,928	$ 939,363
Additions	10,092	57,284	23,958	46,104	137,438
Deductions	(1,631)	(71,865)	(31,423)	(45,024)	(149,943)
Balance, June 30, 1987	$ 74,080	$ 662,501	$ 175,269	$ 15,008	$ 926,858

D. Segment Information - Segment financial information for the state's Enterprise Funds for the year ended June 30, 1987 is presented below (expressed in thousands). These enterprise funds provide the following types of goods or services (in the order shown below): Housing loans, local government loans, sewage treatment loans, inactive, federal property distribution, and food service.

	Tenn. Housing Develop. Agency	Local Develop. Authority	State Loan Program	Housing Rehab. Corp.	Federal Property Utiliz.	State Employ. Cafeteria	Totals
Operating Revenues	$ 101,375	$ 12,754	$ 4,337	$ 36	$ 817	$ 710	$ 120,029
Depreciation and Amortization	139	58			25	4	226
Operating Income (Loss)	9,883	5,559	295	36	71	(101)	15,743
Operating Grants, Entitlements, and Shared Revenues	18,862						18,862
Net Income (Loss)	14,468	(1,977)	295	36	70	(101)	12,791
Property, Plant and Equipment Additions	16						16
Net Working Capital	88,172	(10,101)	7,581	566	214	(23)	86,409
Total Assets	1,169,945	125,487	73,531	567	493	65	1,370,088
Bonds and Other Long-Term Liabilities Payable from Operating Revenues	954,552	55,254	63,565				1,073,371
Total Equity	91,570	3,209	5,345	566	398	(14)	101,074

E. Interfund Accounts - A summary of interfund receivables and payables at June 30, 1987 is shown below (expressed in thousands).

	RECEIVABLES					
				Enterprise Fund	Internal Service Funds	
PAYABLES	General Fund	Special Revenue Fund Highway	Capital Projects Fund	Federal Property Utilization	Motor Vehicle Management	Legislative Services
General					$ 21	
Special Revenue:						
Highway						
Wildlife Resources Agency						
Driver Education						
Hazardous Waste						
Capital Projects						
Enterprise:						
Housing Development Agency						
Federal Property Utilization						
State Employee's Cafeteria						
Internal Service:						
Information System Services	$ 842					
Motor Vehicle Management						
General Services Printing						
Building Management						
Communications Management						
Postal Services						
Trust and Agency:						
Local Government Investment		$ 1,229	$ 8,189			
Student Assistance Corporation						
Chairs of Excellence						
College and University Funds	36			$ 2		$ 2
Totals	$ 878	$ 1,229	$ 8,189	$ 2	$ 21	$ 2

RECEIVABLES

Trust and Agency Funds					College and University Funds	Totals
Employment Security	Student Assistance	Pension Trust	Contingent Revenue	Deferred Compensation		
$ 93		$ 2,558	$ 3,182	$ 115	$ 5	$ 5,974
		402	510	20		932
		50	56	3		109
			1			1
		4	4			8
					807	807
		8	10			18
		2	2			4
		1	2			3
		27	36	2		907
		3	4			7
		4	6			10
		2	2			4
		2	3			5
		2	2			4
					49,990	59,408
		2	2			4
	$ 1,479					1,479
		6,780	77	21	3,653	10,571
$ 93	$ 1,479	$ 9,847	$ 3,899	$ 161	$ 54,455	$ 80,255

NOTE 3 - NOTES, BONDS AND LEASE OBLIGATIONS PAYABLE

Notes and bonds payable at June 30, 1987 are shown below.

	Amount (in Thousands) Notes	Bonds
Capital Projects Fund:		
General obligation bond anticipation notes, renewable to January 1988, at rates ranging from 3.45% to 5.25%	$ 14,800	
Enterprise Funds:		
General obligation bonds, 4.875% to 7.5%, due in generally decreasing amounts of principal and interest ranging from $7 million in 1989 to $1 million in 2010		$ 66,370
Tennessee Local Development Authority revenue bonds, 4% to 9.4%, due in decreasing amounts of principal and interest from $6 million in 1988 to $1 million in 2015		56,053
Tennessee Local Development Authority revenue bond anticipation notes, 5%, due June 1988	61,500	
Tennessee Housing Development Agency mortgage finance program revenue bonds, various Series, 4.35% to 14%, due in amounts of principal and interest ranging from $119 million in 2008 to $4 million in 2019		1,025,310
	61,500	1,147,733
Internal Service Funds:		
Tennessee State School Bond Authority 1987 refunding revenue bonds, 5.15% to 6.75%, crossover date May 1, 1992, principal and interest due in amounts ranging from $5 million in 2012 to $2 million in 1993.		68,577
Information System Services notes, .7% to 4.3%, due in six equal monthly payments from July through December 1988.	257	
	257	68,577
General Long-Term Debt:		
General obligation bonds, .1% to 8.4%, due in decreasing amounts of principal and interest from $104 million in 1988 to $6 million in 2007		679,720
College and University Funds:		
Capital outlay notes, to 9%, due serially to 1994	18,474	
Tennessee State School Bond Authority bond anticipation notes, interest at 65% of prime rate, due within one year	16,595	
Tennessee State School Bond Authority revenue bonds, various Series, 4.1% to 9.625%, due in decreasing amounts of principal and interest from $20 million in 1988 to $6 million in 2012		207,683
Tennessee State School Bond Authority 1986 daily demand bonds, maturing to 1999		16,700
Tennessee State School Bond Authority 1986 Tax-Exempt Exchangeable Securities, maturing to 2015		32,805
Non-Authority revenue bonds, 2.75% to 5%, due in generally decreasing amounts of principal and interest from $545 thousand in 1988 to $82 thousand in 2005		5,601
	35,069	262,789
Total Notes and Bonds Payable	$ 111,626	$ 2,158,819

The full faith and credit of the state, together with certain tax revenues, are pledged to secure all general obligation notes and bonds listed above. Although the Enterprise Fund general obligation debt is being retired from resources of that fund (State Loan Program Fund), the state remains contingently liable for its payment. The revenue notes and bonds listed above are not obligations of the state. They are secured by pledge of resources from the facilities to which they relate and by certain other revenues, fees and assets of the Tennessee Local Development Authority (TLDA), the Tennessee Housing Development Agency (THDA), the Tennessee State School Bond Authority (TSSBA) and the various colleges and universities.

The TSSBA 1985 daily demand bonds may be redeemed prior to the fixed interest date, by tender to the tender agent, in integral multiples of $100 thousand, for purchase on any business day and receive payment on that day of principal and accrued interest. Bonds so tendered shall be purchased from the proceeds of a remarketing thereof pursuant to a remarketing agreement between the remarketing agent and the Authority or from the proceeds of the sale of such 1985 daily demand bonds to Morgan Guaranty trust of New York as the standby bond purchaser, under a standby purchase agreement with the Authority. The obligation of the standby bond purchaser to purchase 1985 daily demand bonds pursuant to the agreement is subject to certain conditions and may be terminated prior to payment in full of the bonds and, under certain circumstances, an alternate liquidity facility may be substituted therefore. Upon satisfaction of certain conditions, the bonds may be converted to a fixed interest rate, whereby holders of the bonds shall be required to tender such bonds to the tender agent for remarketing at the fixed rate.

As indicated above, substantially all notes payable at June 30, 1987 are due within one year. Debt service requirements to maturity for all general obligation and revenue bonds payable at June 30, 1987 are as follows (expressed in thousands):

For the Year(s) Ended June 30	General Obligation Bonds		Revenue Bonds		Total Requirements
	Principal	Interest	Principal	Interest	
1988	$ 66,922	$ 43,832	$ 36,523	$ 107,658	$ 254,935
1989	64,342	40,212	38,695	107,911	251,160
1990	64,417	36,670	41,319	105,127	247,533
1991	61,912	33,206	43,631	102,080	240,829
1992	57,272	29,796	47,446	98,726	233,240
1993-2019	431,225	171,411	1,194,273	1,801,729	3,598,638
	$ 746,090	$ 355,127	$1,401,887	$2,323,231	$ 4,826,335

A summary of changes in general long-term obligations for the year ended June 30, 1987 follows (expressed in thousands).

	Balance, July 1, 1986	General Obligation Bonds Issued	General Obligation Bonds Retired	Other Changes in General Long-Term Obligations	Balance, June 30, 1987
Amount available in Debt Service Fund	$ 1,635			$ (177)	$ 1,458
Amount to be Provided for Retirement of Long-Term Debt	624,935	$ 113,075	$ (59,925)	177	678,262
General Obligation Debt Payable	626,570	113,075	(59,925)		679,720
Accrued Annual and Compensatory Leave	69,479			15,098	84,577
Capital Lease Obligations	67			(27)	40
Total General Long-Term Obligations	$ 696,116	$ 113,075	$ (59,925)	$ 15,071	$ 764,337

Bond sales during the year ended June 30, 1987 included the following issues:

July 1986	-	THDA revenue bonds of $17.968 million.
October 1986	-	THDA revenue bonds of $30 million.
December 1986	-	TLDA refunding bonds of $39.206 million.
February 1987	-	THDA revenue bonds of $50 million.
February 1987	-	General Obligation bonds of $113.075 million.
March 1987	-	TSSBA refunding bonds of $70.686 million.
May 1987	-	THDA revenue bonds of $40 million.

The $17.968 million THDA bond issue above represents (1) $16.55 million of term bonds due 2013, at 8%, requiring increasing sinking fund payments from 2005 through 2013; and (2) $1.418 million of principal appreciation conversion securities, maturing in 2016, requiring increasing sinking fund payments from 2014 through 2016.

The $30 million THDA bond issue above represents (1) $6.46 million of bonds maturing serially through 2000 at interest rates ranging from 4.5% to 7.3%; and $23.54 million of term bonds due 2006, 2010, and 2016, carrying interest rates ranging from 6.625% to 7.5%.

The $39.206 million TLDA bond issue above represents (1) $12.415 million of bonds maturing serially through 2000 at interest rates ranging from 4% to 7%; and (2) $26.791 million of term bonds due 2003, 2007, 2011 and 2015, carrying interest rates ranging from 5% to 7.25%. Proceeds from this issue will be used to provide for the advance refunding of TLDA bonds of $36.666 million in crossover year 1997. Proceeds from the issue were invested in United States Treasury Notes and placed in irrevocable trusts with the Trustee for redemption of the outstanding bonds of the 1985 series A issue maturing after 1997.

The $50 million THDA bond issue above represents (1) $11.575 million of bonds maturing serially through 2002 at interest rates ranging from 4.25% to 7%; and (2) $38.425 million of term bonds due 2007 and 2018, carrying interest rates ranging from 7.25% to 7.375%.

Proceeds from the $113.075 million general obligation bond issue, bearing an average interest rate of 5.665%, are being used to fund additional capital facilities, primarily for the Department of Mental Health and Mental Retardation and higher education.

The $70.686 million TSSBA refunding bond issue will be used to provide for the advance refunding of TSSBA bonds of $65.975 million in crossover year 1993. Proceeds from the issue were placed in trust with the State Treasurer and invested in United States Treasury Notes - State and Local Government Series. This issue represents (1) $30.795 of bonds maturing serially from 1993 through 2003 at rates ranging from 5.15% to 6.6%; and (2) $39.891 million of term bonds due 2007, 2011 and 2012, carrying interest rates ranging from 4% to 6.75%.

The $40 million THDA bond issue above represents (1) $8.915 million of bonds maturing serially through 2001 at interest rates ranging from 5.75% to 8.1%; and (2) $31.085 million of term bonds due 2007 and 2016, carrying an interest rate of 8.5%.

Extraordinary items - loss on extinguishment of debt, are as follows:

In January, 1987 the TLDA issued refunding bonds in the amount of $39.206 million to refund $36.666 million of the 1985 Series A bonds maturing after March 1, 1997. The refunding was to take advantage of lower interest rates in effect at the time of the transaction. The cumulative savings to the authority and to the participating municipalities were $8.486 million (a net present value savings of $2.75 million). Proceeds of the 1987 refunding bond issue were invested in United States Treasury Notes - State and Local Government Series and placed in irrevocable trusts with the Trustee for the redemption of the outstanding bonds of the 1985 Series A issue maturing after March 1, 1997. In accordance with APB opinion 26 the authority has transferred the refunding investment and the related bonds payable to the Trustee. As a result of this transaction, the authority has incurred a loss on extinguishment of debt in the amount of $8.5 million. Although the refunding transaction resulted in a significant savings in interest cost over the life of the financing, the refunding bonds had to be issued in a higher principal amount to provide sufficient funds to cover the cost of issuance of the refunding bonds. However, the receivable from municipalities could not be increased to cover this increased amount of principal because new loan contracts were not executed. Therefore, in the remaining years of the refunding term, the authority will recover its "loss on extinguishment of debt" through the normal operations of the fund.

THDA bonds payable were retired before maturity in the Mortgage Finance Bond Group in the amount of $9.775 million, in the Single Family Program Bonds in the amount of $34.136 million and in the Home Ownership Program Bonds in the amount of $19.542 million respectively. The carrying values of those bonds were $9.635 million, $33.504 million, and $19.127 million respectively. This resulted in losses to the respective bond groups of $140 thousand, $633 thousand and $415 thousand.

Prepayments of mortgage loans and unexpended bond proceeds were used to effect the bond retirements.

Under the bond resolutions, the Agency has the option to redeem bonds at an initial price of 103 percent and subsequently at prices declining to par. Generally, the redemption option cannot be exercised prior to the time the bonds have been outstanding for ten years. Certain special redemption options, as governed by the bond resolutions, are permitted prior to that time.

The bonds are secured, as described in the applicable bond resolutions, by the revenues, monies, investments, mortgage loans and other assets in the funds and accounts established by the resolutions.

Subsequent to June 30, 1987, THDA completed a revenue bond sale in July for $85 million.

A summary of general obligation bonds authorized and unissued at June 30, 1987 is shown below (expressed in thousands). It is anticipated that a significant amount of these bonds will not be issued but will be cancelled because of sufficient fund balances.

Purpose	Unissued July 1, 1986	Authorized	Sold	Cancelled	Unissued June 30, 1987
Sewage Treatment	$ 20,680				$ 20,680
Waterworks	31,520				31,520
Highway	288,000	$ 72,000		$ 17,400	342,600
Education	74,308	5,179	$ 69,308		10,179
Correction	21,900	26,865	21,900		26,865
General Services	15,000				15,000
General Government	29,600	1,367	10,600		20,367
Other	11,267	6,589	11,267		6,589
Totals	$ 492,275	$ 112,000	$ 113,075	$ 17,400	$ 473,800

Lease obligations for facilities and equipment are payable from resources of the General and College and University Funds. Debt service requirements to maturity for all capital lease obligations payable at June 30, 1987 are as follows (expressed in thousands):

For the Year(s) Ended June 30	Lease Obligations Payable
1988	$ 2,619
1989	1,955
1990	1,728
1991	1,465
1992	1,415
1993-1997	1,487
Total	10,669
Less - Interest (4.2% to 15%) and executory costs	2,182
	$ 8,487

NOTE 4 - PENSION PLANS

A. Tennessee Consolidated Retirement System - The Tennessee Consolidated Retirement System (TCRS) is a defined benefit retirement plan covering general employees and teachers of the state as well as employees of political subdivisions who have elected coverage. Benefits are determined by a formula using the high five-year average salary and years of service of each employee. Contributions to the system are determined on an actuarial reserve basis and provide funding for both normal and accrued liability costs. The frozen initial liability method, a projected benefit cost method, is used to value the plan. Effective July 1981, pursuant to noncontributory legislation, contributions of up to 5% of the earnable compensation of most classes of general employees, formerly paid by those employees, were assumed by the state. This legislation similarly affected electing political subdivisions and their employees.

It is the policy of the state to fund pension costs accrued. For the year ended June 30, 1987 the state contributed $319.3 million to the plan and state employees and teachers contributed $59.1 million. Political subdivisions contributed $29.2 million and their employees contributed $19.6 million. Employer contributions include funding for a cost-of-living provision and amortization of the accrued liability on an actuarial basis over a 40-year period which began in 1975.

An experience study of the system is conducted every four years, the most recent having been completed as of June 30, 1984. A new set of actuarial assumptions resulted from this study, the most significant being an 8 1/2% interest rate (formerly 7%), an 8% annual salary growth (formerly 6%), and improved mortality rates for active and retired members.

An actuarial valuation is made every two years. The most recent, that as of June 30, 1987, incorporated the new assumptions referred to above. For actuarial purposes, investments were valued using a five-year moving market average for equity securities and amortized cost for debt securities. At June 30, 1987 the net assets of the pension fund exceeded the actuarially computed present value of vested benefits by over $1 billion, $899 million of which applied to the state and the remainder to political subdivisions. This calculation included the liability associated with a closed group of University of Tennessee faculty who participate in the Teachers Insurance and Annuity Association retirement plan (TIAA-CREF), described in B. below. The unamortized accrued liability of the retirement system, based on the present value of benefits for past and future service, was estimated to be $1.6 billion at June 30, 1987 of which all but $6 million was attributable to the state and the $6 million was attributable to political subdivisions.

B. Other than TCRS - Eligible faculty of the various state universities and community colleges may elect to become members of either TIAA-CREF, a privately-administered defined contribution retirement plan, or the TCRS. The state assumes no liability for this group of TIAA-CREF members other than payment of contributions. During the year ended June 30, 1987 the state contributed $23 million to the TIAA-CREF plan.

A second, now-closed group of University of Tennessee faculty also participates in TIAA-CREF with certain supplemental benefits guaranteed by the state. Prior to 1978 these guaranteed benefits were funded by the university on a pay-as-you-go basis; they since have been assumed by the TCRS and are included in the June 30, 1987 actuarial calculations disclosed in A. above.

C. Deferred Compensation - The state offers its employees two deferred compensation plans, one established pursuant to IRC Section 457 and the other pursuant to IRC Section 401 (k). All costs of administering and funding these programs are the responsibility of plan participants.

Section 457 plan balances have been reported in the accompanying financial statements in an Agency Fund at June 30, 1987. All amounts of compensation deferred under this plan, all property purchased with those amounts, and all income attributable thereto are, until paid or made available to the employee or other beneficiary, solely the property of the state, subject only to claims of the state's general creditors. Participants' rights under the plan are the same as those of general creditors in an amount equal to the fair market value of their deferred accounts. The state has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The state believes it is unlikely that it will use these assets to satisfy such claims in the future.

Since Section 401(k) plan assets remain the property of the contributing employees, they are not presented in the accompanying financial statements. Through June 30, 1987 some $18.5 million, including accumulated interest earnings, had been contributed by participating state employees to those financial institutions administering the plan's various investment options.

D. Post Retirement Health Insurance Benefits - The state offers an opportunity to its employees and eligible retirees to participate in a self-insured indemnity policy or health maintenance organizations. The indemnity policy provides benefits to plan participants in a comprehensive, major medical format involving a $150 calendar year deductible and a $1,000 per individual out-of-pocket limit. The plan incorporates typical provisions relating to utilization review, medical necessity, pre-existing conditions, coordination of benefits and subrogation of expenses. The plan offers benefit incentives for the use of designated providers and the plan maintains limitations on benefits provided for the treatment of mental illness and substance abuse.

Retirees who are not yet eligible for Medicare benefits may continue participation in the Plan subject to certain length of service and participation requirements. Upon Medicare eligibility, the retiree is afforded the opportunity to participate in a fully-insured supplement policy not associated with the Plan.

The funds collected for the Plan's operation are recorded in the employee group insurance account. The plan's premiums are intended to fund benefits on a pay-as-you-go basis and no specific reserves have been established to fund post retirement health benefits. Current retiree premium rates are approximately 58 percent of the plan's total premium rates; the state provides no direct funding of post retirement health benefits.

During the 1986-87 fiscal year, the plan provided approximately $4.2 million in benefits to retired employee participants.

NOTE 5 - DEPOSITS AND INVESTMENTS

A. Investment Policy - The Pooled Investment Fund administered by the State Treasurer is authorized by statute to invest funds in accordance with policy guidelines approved by the State Funding Board. The current resolution of that Board gives the Treasurer approval to invest in collateralized certificates of deposit in state depositories, bonds, notes and bills of the United States Treasury or other obligations guaranteed as to principal and interest by the United States or any of its agencies and in repurchase agreements for obligations of the United States or its agencies which are fully guaranteed as to principal and interest by the United States. This resolution states further that except for short term distortions created by unexpected system withdrawal and as otherwise provided in this section, maturities of the State Pooled Investment Fund shall not exceed one year. Provided however, an amount not to exceed the lesser of $150 million or twenty percent (20%) of the book value of the State Pooled Investment Fund at the time such investments are made, may be invested in maturities greater than one year but not greater than five years.

Statutes require that collateral have a face value of one hundred ten percent (110%) of the value of the state deposit secured thereby and a market value of one hundred percent (100%) of the value of the state deposit secured thereby less so much of such amount as is protected by the federal deposit insurance corporation or the federal savings and loan insurance corporation. Certificates of deposit are not placed or renewed with a financial institution until adequate collateral is pledged. Open accounts maintained for deposit of state revenues are collateralized on an estimate of the average daily balance in the account based on previous balances and monitored for variation to actual balances.

The Treasurer is required, by statute, to evaluate the market value of required collateral monthly, and more frequently if market conditions require. Further, statutes provide for the Commissioner of Financial Institutions to advise, on a timely basis, the Treasurer and the Commissioner of Finance and Administration of the condition of each state bank and state chartered savings and loan association, including his recommendations regarding its condition and safety as a state depository. Similar provisions apply to federally chartered banks and savings and loan associations designated as state depositories. This process ensures that institutions whose financial status is uncertain are monitored for collateral sufficiency.

The following funds also make investments following these same basic guidelines: colleges and universities, Tennessee State School Bond Authority, Local Development Authority, and Tennessee Housing Development Agency. The Pension Fund, in addition to the guidelines outlined for the Pooled Investment Fund, may invest in long-term investments. The Pension Fund may invest in bonds, debentures, preferred stock and common stock, and other good and solvent securities subject to the Pension Board of Trustees approval. The Board has also authorized limited investments of securities in some foreign countries.

B. Deposits - The Governmental Accounting Standards Board (GASB) Statement 3 requires deposits with Financial Institutions to be categorized to indicate the level of risk assumed by the state as defined in GASB statement 3. Category 1 consists of deposits that are insured or collateralized with securities held by the State or by its agent in the state's name. Category 2 consists of deposits collateralized with securities held by the pledging financial institution's trust department or agent in the state's name. Category 3 deposits are uncollateralized. This includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the state's name.

At year end, the carrying amount of deposits in all funds except colleges and universities was $703.914 million and the bank balance, including accrued interest, was $724.464 million. Of the bank balance, $721.288 million was (category 1) covered by insurance or collateral (valued at market) held in the state's name by independent custodial banks or segregated in the Federal Reserve Bank in the state's name, $844 thousand was (category 2) held by an agent in the state's name, and $2.332 million was (category 3) uninsured and uncollateralized. Of the $2.3 million in category 3, $389 thousand was from Women Infants Children (WIC) Program administered by Health and Environment.

The remaining $1.9 million was from the Treasurer's Pooled Investment Fund and would be $268 thousand considering that collected balances were less than book balances by $941 thousand, and an additional $734 thousand represents collateral securities held by a Trustee Custodian who is controlled by the same holding company as the pledging financial institution. The uninsured and uncollateralized amount of deposits is attributable to actual open account balances exceeding estimated open account balances; however, this amount is not material when viewed in terms of total open account balances.

At year end, the carrying amount of deposits for colleges and universities was $149.498 million and the bank balance was $155.359 million. Of the bank balance, $149.120 million was (Category 1) covered by insurance or collateral (valued at market) held in the state's name by independent custodial banks or segregated in the Federal Reserve Bank in the state's name, and $6.239 million was uninsured and uncollateralized.

C. Investments - The Governmental Accounting Standards Board Statement 3 also requires investments to be categorized to indicate the level of risk assumed by the state. Category 1 consists of investments that are insured or registered or for which the securities are held by the state or its agent in the state's name. Category 2 consists of uninsured or unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the state's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust department or agent but not in the state's name. Investments are categorized below for all funds except the colleges and universities (Expressed in thousands):

PENSION TRUST, POOLED INVESTMENT, TENNESSEE HOUSING DEVELOPMENT AGENCY AND OTHER FUNDS

	Category			Carrying Amount	Market Value 6/30/87
	1	2	3		
Short-Term Investments					
Commercial Paper	$ 817,641			$ 817,641	$ 817,843
Repurchase Agreements	312,069			312,069	312,069
Government Securities	979,159			979,159	972,543
Total Short-Term Investments	2,108,869			2,108,869	2,102,455
Long-Term Investments					
Domestic Securities					
Certificates of Deposit	1,550			1,550	1,550
Government Securities	1,815,698			1,815,698	1,854,000
Corporate Bonds	1,076,240			1,076,240	1,062,239
Corporate Stocks	1,681,690			1,681,690	2,243,291
Mortgages	2,833			2,833	2,596
International Securities					
Government Bonds	173,557			173,557	173,339
Corporate Bonds	39,210			39,210	37,398
Corporate Stocks	169,012			169,012	191,709
American Depository Receipts	1,848			1,848	3,500
Currency Gain					16,421
	4,961,638			4,961,638	5,586,043
Investments held by broker dealers under securities on loan contracts					
Government Bonds				146,022	159,736
Corporate Stocks				3,019	4,774
				149,041	164,510
Long-Term Investments				5,110,679	5,750,553
Cash on deposit with Federal Unemployment Compensation Pool in Washington, D.C.				470,023	470,023
Total Investments	$7,070,507			$7,689,571	$8,323,031

The investments for the colleges and universities are categorized below (Expressed in thousands):

	Category 1	Category 2	Category 3	Carrying Amount	Market Value 6/30/87
Current Investments					
Repurchase Agreements	$ 31,000		$12,799	$ 43,799	$ 43,799
Government Securities	65,207	$1,122	27,083	93,412	93,350
Other			304	304	304
Total Current Investments	96,207	1,122	40,186	137,515	137,453
Long-Term Investments					
Domestic Securities					
Government Securities	32,729		9,977	42,706	44,133
Corporate Bonds	5,455		101	5,556	5,433
Corporate Stocks	29,189	1,894	164	31,247	43,286
Real Estate	3,881			3,881	3,881
International Securities					
Government Bonds	772			772	759
Corporate Stocks	97	1,000		1,097	1,496
Total Long-Term Investments	72,123	2,894	10,242	85,259	98,988
Total Investments	$ 168,330	$4,016	$50,428	$ 222,774	$ 236,441

Over half of the items in category 3 were the result of a lack segregation of duties in the purchasing and custody of U. S. Treasury Notes, some $27.083 million.

For the purposes of categorizing deposits and investments for GASB statement 3 we have omitted some $32.1 million in the Deferred Compensation Fund.

NOTE 6 - COMMITMENTS AND CONTINGENCIES

A. Sick Leave - It is the state's policy to record the cost of sick leave when paid. Generally, since sick leave (earned one day per month with unlimited accumulation) is paid only when an employee is absent due to illness, injury or related family death, there was no liability for sick leave at June 30, 1987. The estimated accumulated amount of unused sick leave at that date was $362 million.

B. Leases - The state has entered into various operating leases for land, buildings and equipment. All leases contain termination clauses providing for cancellation after 30, 60 or 90 days' written notice to lessors. In addition, all leases contain appropriation clauses indicating that continuation of the lease is subject to funding by the legislature. It is expected that in the normal course of business most of these leases will be replaced by similar leases. Expenditures for rent under leases for the years ended June 30, 1987 and 1986 amounted to $27.1 million and $27.9 million, respectively.

C. Highway Construction Projects - At June 30, 1987 the Department of Transportation had contractual commitments of approximately $230 million for construction of various highway projects. Funding of these future expenditures is expected to be provided from federal grants ($166 million) and general obligation bond proceeds ($64 million).

D. Litigation - The most significant recent litigation against the state is a case involving inadequate prison facilities. Relief granted by the court enables the state to remedy these conditions over an extended period of time. The flexibility allowed by the court will permit the state to carry out the remedial plan without material adverse impact on the state's financial position. The state is also party to numerous other legal proceedings, many of which normally recur in governmental operations. In the opinions of the Attorney General and General Counsel for the University of Tennessee system, final settlement of these matters will have no material effect on the accompanying financial statements.

E. Federal Grants - The state has received federal grants for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

F. Loan Guarantees - The Tennessee Student Assistance Corporation (TSAC), a Nonexpendable Trust Fund entity, guarantees loans made to students. The U. S. Department of Education (USDE) reinsures the student loans up to 100% of their principal amounts. At June 30, 1987 TSAC was guarantor of $524 million in student loans, substantially all of which were reinsured by the USDE. The state has no obligation under these student loan guarantees in the event of default.

G. Other - The state has custodial responsibility over some $70 million of U.S. Department of Agriculture food stamp coupons for which the state is liable in the event of loss.

Combining and Individual Fund Financial Statements

General Fund

The General Fund is maintained to account for all governmental financial resources and transactions not accounted for in another fund.

Budgetary Procedures and Control

In many respects Tennessee is similar to other states regarding the process leading to adoption of the annual budget. Utilizing zero-based budgeting concepts, the executive branch prepares a budget which is the result of a series of intradepartmental budget meetings and executive budget hearings. The executive budget is based on estimates of all available revenue sources.

The executive budget is presented to the legislature at the beginning of each annual session. The legislature conducts budget hearings through its Finance, Ways and Means committees. Each committee recommends a version of the Appropriation Act to its respective body for passage. Included in the Appropriation Act is the funding level for each department. After passage by each chamber, differences between the two versions, if any, are resolved in conference committee. The final version is passed by both houses and sent to the Governor for approval. Before signing the Appropriation Act, the Governor may veto or reduce any specific appropriation item. These adjustments are subject to being overridden by the legislature.

Once the final budget is passed and signed, it becomes the financial plan for the coming year's activities. A quarterly work program detailing anticipated revenues by source and expenditures by object is then developed for each organizational entity. The work program is entered into the state's centralized accounting system. The budgetary-accounting integration and the resulting periodic reports facilitate both management control and legislative overview of the state's financial operations. Any deviation from the funding levels as specified in the Appropriation Act must receive prior approval from both the appropriate executive decision-makers and the Finance, Ways and Means committees. Thus, there is a continuing interaction between the executive and legislative branches on budgetary matters.

Constitutional Spending Limitation

Tennessee was the first state to adopt a constitutional spending limitation. This was not a response to any spending or taxing excesses but was a public endorsement of the state's long standing record of sound fiscal management.

The March 1978 amendment to the Constitution limited the growth in spending by state government to the rate of growth exhibited by the state's economy. The legislature was directed to establish some measure of economic growth from which the permitted growth in spending could be calculated. Estimated growth in personal income was the measure so established.

The 1987-88 budget is the state's ninth budget to be prepared and enacted since passage of the spending limitation. The total budget is well within the statutory limit enacted to carry out the constitutional mandate. Although the effect of the constitutional spending limitation cannot be evaluated until it has been operative for a period of years, it is apparent that the long-term impact of the amendment on the continued operations and growth of state government could be substantial.

STATE OF TENNESSEE
BALANCE SHEET
GENERAL FUND
JUNE 30, 1987

(Expressed in Thousands)

ASSETS	JUNE 30, 1987	JUNE 30, 1986
CASH AND CASH EQUIVALENTS	$ 296,969	$ 283,911
RECEIVABLES:		
DUE FROM OTHER GOVERNMENTS	164,761	154,647
INTEREST	35,500	32,869
OTHER	548	5,051
INTERFUND RECEIVABLES (Note 2)	878	1,878
ADVANCES TO OTHER FUNDS	4,281	
TOTAL ASSETS	$ 502,937	$ 478,356
LIABILITIES AND FUND BALANCE		
LIABILITIES:		
WARRANTS PAYABLE	$ 54,469	$ 51,433
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	230,764	204,316
ACCRUED PAYROLL AND RELATED DEDUCTIONS	20,893	20,149
INTERFUND PAYABLES (Note 2)	5,974	7,288
DEFERRED REVENUE	530	485
DEPOSITS PAYABLE	73	61
TOTAL LIABILITIES	312,703	283,732
FUND BALANCE (Notes 1 and 2):		
RESERVED FOR ENCUMBRANCES AND CONTRACTS	41,420	37,239
RESERVED FOR CONTINUING APPROPRIATIONS	36,807	23,880
RESERVED FOR OTHER SPECIFIC PURPOSES	14,590	11,687
UNRESERVED:		
DESIGNATED FOR REVENUE FLUCTUATIONS	75,000	52,100
DESIGNATED FOR OTHER SPECIFIC PURPOSES	261	69,490
UNDESIGNATED	22,154	228
TOTAL FUND BALANCE	190,234	194,624
TOTAL LIABILITIES AND FUND BALANCE	$502,937	$478,356

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 1987

(Expressed in Thousands)

	FOR THE YEAR ENDED JUNE 30, 1987	JUNE 30, 1986
REVENUES:		
TAXES	$2,758,919	$2,596,094
LICENSES, FEES AND PERMITS	42,166	37,765
INTEREST ON INVESTMENTS	70,184	79,664
FEDERAL	1,329,454	1,245,695
DEPARTMENTAL SERVICES	274,763	258,301
OTHER	8,712	7,886
TOTAL REVENUES	4,484,198	4,225,405
EXPENDITURES:		
GENERAL GOVERNMENT	179,752	167,254
EDUCATION	1,367,426	1,270,074
HEALTH AND SOCIAL SERVICES	1,821,696	1,645,587
LAW, JUSTICE AND PUBLIC SAFETY	356,637	300,158
RECREATION AND RESOURCES DEVELOPMENT	126,524	124,795
REGULATION OF BUSINESS AND PROFESSIONS	22,341	20,124
TOTAL EXPENDITURES	3,874,376	3,527,992
EXCESS OF REVENUES OVER EXPENDITURES	609,822	697,413
OTHER FINANCING SOURCES (USES):		
OPERATING TRANSFERS FROM (TO):		
SPECIAL REVENUE FUNDS	(13,525)	(14,279)
DEBT SERVICE FUND	17,685	(1,800)
CAPITAL PROJECTS FUND	10,188	(185,157)
ENTERPRISE FUNDS	(1,000)	(1,000)
NONEXPENDABLE TRUST FUND	(11,181)	(14,707)
COLLEGE AND UNIVERSITY FUNDS	(600,816)	(536,598)
TOTAL OTHER FINANCING USES	(598,649)	(753,541)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	11,173	(56,128)
FUND BALANCE, JULY 1	194,624	263,119
EQUITY TRANSFERS FROM (TO):		
INTERNAL SERVICE FUNDS	(476)	133
ENTERPRISE FUNDS	(87)	(2,500)
NONEXPENDABLE TRUST FUND	(15,000)	(10,000)
FUND BALANCE, JUNE 30 (Note 2)	$ 190,234	$ 194,624

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
SCHEDULE OF REVENUES BY SOURCE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 1987

(Expressed in Thousands)

REVENUES BY SOURCE	FOR THE YEAR ENDED JUNE 30, 1987	JUNE 30, 1986
TAXES:		
SALES AND USE	$1,875,700	$1,754,840
GASOLINE	4,085	3,623
MOTOR VEHICLE REGISTRATION	6,662	6,671
INCOME	44,992	46,057
PRIVILEGE	59,907	49,418
GROSS RECEIPTS	113,325	109,787
BEER	8,351	7,916
ALCOHOLIC BEVERAGE	23,540	24,019
MIXED DRINK	10,769	10,310
FRANCHISE	135,213	127,624
EXCISE	221,704	220,790
INHERITANCE AND ESTATE	31,757	28,812
TOBACCO	81,777	80,444
COIN-OPERATED AMUSEMENT	1,395	1,891
BUSINESS	9,580	10,362
INSURANCE COMPANIES PREMIUM	120,035	103,402
RETALIATORY	3,297	3,403
OTHER	6,830	6,725
	2,758,919	2,596,094
LICENSES, FEES AND PERMITS:		
MOTOR VEHICLE TITLE REGISTRATION FEES	4,774	3,830
DRIVERS LICENSES	12,184	13,314
ARRESTS, FINES AND FEES	4,617	3,571
REGULATORY BOARD FEES	9,201	6,933
OTHER	11,390	10,117
	42,166	37,765
INTEREST ON INVESTMENTS	70,184	79,664
FEDERAL - EARNED BY STATE DEPARTMENTS	1,329,454	1,245,695
DEPARTMENTAL SERVICES:		
CHARGES TO THE PUBLIC	84,804	81,529
INTERDEPARTMENTAL CHARGES	166,980	154,090
CHARGES TO CITIES, COUNTIES, ETC.	22,979	22,682
	274,763	258,301
OTHER	8,712	7,886
TOTAL REVENUES BY SOURCE	$4,484,198	$4,225,405

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
SCHEDULE OF EXPENDITURES BY FUNCTION AND DEPARTMENT
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 1987

(Expressed in Thousands)

EXPENDITURES BY FUNCTION AND DEPARTMENT	FOR THE YEAR ENDED JUNE 30, 1987	JUNE 30, 1986
GENERAL GOVERNMENT		
LEGISLATIVE	$ 12,374	$ 10,225
SECRETARY OF STATE	13,835	12,968
COMPTROLLER	25,863	24,158
TREASURER	6,450	6,268
GOVERNOR	3,069	3,780
COMMISSIONS	39,707	33,351
FINANCE AND ADMINISTRATION	7,586	6,213
PERSONNEL	5,182	4,625
GENERAL SERVICES	19,051	16,213
REVENUE	37,346	33,465
OTHER	9,289	15,988
	179,752	167,254
EDUCATION	1,367,426	1,270,074
HEALTH AND SOCIAL SERVICES		
VETERANS AFFAIRS	1,264	1,143
EMPLOYMENT SECURITY	36,069	43,046
LABOR	68,264	67,336
MENTAL HEALTH AND MENTAL RETARDATION	243,797	222,150
HEALTH AND ENVIRONMENT	1,057,468	945,538
HUMAN SERVICES	414,834	366,374
	1,821,696	1,645,587
LAW, JUSTICE AND PUBLIC SAFETY		
JUDICIAL	53,915	42,504
CORRECTION	227,017	185,323
MILITARY	15,589	14,019
BUREAU OF CRIMINAL INVESTIGATION	10,396	8,819
SAFETY	49,720	49,493
	356,637	300,158
RECREATION AND RESOURCES DEVELOPMENT		
AGRICULTURE	14,234	12,492
TOURIST DEVELOPMENT	10,582	10,603
CONSERVATION	60,128	56,913
ECONOMIC AND COMMUNITY DEVELOPMENT	41,580	44,787
	126,524	124,795
REGULATION OF BUSINESS AND PROFESSIONS		
COMMERCE AND INSURANCE	18,583	16,839
FINANCIAL INSTITUTIONS	3,758	3,285
	22,341	20,124
TOTAL EXPENDITURES BY FUNCTION AND DEPARTMENT	$3,874,376	$3,527,992

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
SCHEDULE OF EXPENDITURES BY OBJECT
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 1987

(Expressed in Thousands)

EXPENDITURES BY OBJECT	FOR THE YEAR ENDED JUNE 30, 1987	JUNE 30, 1986
PERSONAL SERVICES	$ 632,084	$ 576,079
EMPLOYEE BENEFITS	150,813	134,516
TRAVEL	28,818	28,165
PRINTING, DUPLICATING AND FILM PROCESSING	11,978	11,149
UTILITIES AND FUEL	29,158	26,778
COMMUNICATION AND SHIPPING COSTS	27,788	25,698
MAINTENANCE, REPAIRS AND SERVICES	16,978	14,525
PROFESSIONAL AND ADMINISTRATIVE SERVICES	220,886	180,864
SUPPLIES	133,660	130,281
RENTALS AND INSURANCE	32,270	29,291
MOTOR VEHICLE OPERATION	4,253	4,588
AWARDS AND INDEMNITIES	5,098	4,161
GRANTS AND SUBSIDIES	2,547,247	2,330,436
ITEMS FOR RESALE, REISSUE OR MANUFACTURE	12,877	11,470
EQUIPMENT	18,615	18,875
LAND	35	
BUILDINGS	1,469	526
IMPROVEMENTS OTHER THAN BUILDINGS	349	590
TOTAL EXPENDITURES BY OBJECT	$ 3,874,376	$ 3,527,992

See accompanying Notes to the Financial Statements.

Special Revenue Funds

Specific revenues, earmarked to finance particular activities of government, are accounted for in the Special Revenue Funds. A brief description of each fund follows.

Highway Fund - This fund is maintained to account for revenues and expenditures associated with programs of the Department of Transportation. Funding of these programs is accomplished primarily from dedicated highway user taxes and funds received from the various federal transportation agencies. All federal funds accruing to the Highway Fund are received on a reimbursement basis covering costs incurred. It is the state's practice to appropriate matching dollars for jointly funded projects in the year of federal apportionment. This front-end state funding, together with multi-year disbursements on most projects, results in large cash balances in this fund. Effective July 1, 1986 the Department of Transportation began earning interest on the monies for a new highway construction program, while the General Fund earns the interest on the other highway program monies.

Wildlife Resources Agency - This agency is responsible for the preservation, management, enhancement and protection of the state's wildlife resources and their environs. An additional responsibility is the enforcement of boating safety on state lakes and streams. Revenues are derived principally from hunting and fishing licenses, fees and permits.

Public Service Commission - The commission is responsible for executing and enforcing all statutes governing railroads, utilities and motor carriers. They also assess these groups for ad valorem taxes. Revenues are derived principally from filing and inspection fees.

Criminal Injuries Compensation - The Claims Commission administers this fund for the award of compensation, not to exceed $10,000, to victims (or their dependents) who suffer personal injury or death as a result of a criminal act. The primary revenue source is the privilege tax levied by the courts at the time of conviction of the offender.

Other Special Revenue Funds - There are five agencies included in this group, as follows:

1. Abandoned Land Program - This program is administered by the Department of Health and Environment. Revenues collected from surface mining permit fees and forfeited performance bonds are used to reclaim and restore lands affected by abandoned mining operations;

2. Driver Education - This program is designed and coordinated by the Departments of Education and Safety. Highway safety is promoted by providing driver education, instruction and training in schools, colleges and community organizations. The $2 fee for moving traffic violations is the source of funding for this program;

3. Hazardous Waste - This program is administered by the Department of Health and Environment. Revenues collected from applicants and holders of storage, treatment or disposal permits of hazardous waste are used to supervise the construction, operation, maintenance, closure and, where necessary, the post-closure care of hazardous waste facilities;

4. Regulatory Boards - This program is administered by the Department of Commerce and Insurance. Revenues are collected from fees assessed on licenses to real estate brokers, affiliate real estate brokers, or auctioneers. These revenues are used to pay court judgments for violations by brokers or auctioneers of the applicable acts or of any rules promulgated by the appropriate officials;

5. Drunk Drivers Victim Compensation - The Claims Commission administers this fund for the award of compensation, not to exceed $2,000, to victims (or their dependents) who suffer personal injury or death as a result of operator's intoxication. The primary revenue source is the privilege tax levied by the courts at the time of conviction of the offender.

STATE OF TENNESSEE
COMBINING BALANCE SHEET
ALL SPECIAL REVENUE FUNDS
JUNE 30, 1987

(Expressed in Thousands)

ASSETS	HIGHWAY	WILDLIFE RESOURCES AGENCY	PUBLIC SERVICE COMMISSION	CRIMINAL INJURIES COMPENSATION	OTHER	TOTALS JUNE 30, 1987	TOTALS JUNE 30, 1986
CASH AND CASH EQUIVALENTS	$ 329,285	$ 16,519	$ 1,413	$ 3,671	$ 14,213	$ 365,101	$ 291,855
RECEIVABLES	25,190	646	1,597			27,433	33,081
INTERFUND RECEIVABLES (Note 2)	1,229					1,229	667
INVENTORIES, at cost	5,368					5,368	5,892
TOTAL ASSETS	$ 361,072	$ 17,165	$ 3,010	$ 3,671	$ 14,213	$ 399,131	$ 331,495
LIABILITIES AND FUND BALANCES							
LIABILITIES:							
WARRANTS PAYABLE	$ 16,355	$ 262	$ 175	$ 314	$ 58	$ 17,164	$ 19,101
ACCOUNTS PAYABLE AND ACCRUALS	48,097	1,160	159	770	61	50,247	45,531
INTERFUND PAYABLES (Note 2)	932	109			9	1,050	2,823
ADVANCE FROM OTHER FUNDS		3,018				3,018	
DEFERRED REVENUE	7,753		1			7,754	9,760
DEPOSITS PAYABLE	7,325					7,325	6,994
TOTAL LIABILITIES	80,462	4,549	335	1,084	128	86,558	84,209
FUND BALANCES (Notes 1 and 2):							
RESERVED FOR INVENTORIES	5,368					5,368	5,892
RESERVED FOR ENCUMBRANCES AND CONTRACTS	156,955	509	106		8	157,578	139,651
RESERVED FOR OTHER SPECIFIC PURPOSES	91,504	12,107	2,569	2,587	14,077	122,844	90,981
UNRESERVED	26,783					26,783	10,762
TOTAL FUND BALANCES	280,610	12,616	2,675	2,587	14,085	312,573	247,286
TOTAL LIABILITIES AND FUND BALANCES	$ 361,072	$ 17,165	$ 3,010	$ 3,671	$ 14,213	$ 399,131	$ 331,495

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 1987

(Expressed in Thousands)

	HIGHWAY	WILDLIFE RESOURCES AGENCY	PUBLIC SERVICE COMMISSION	CRIMINAL INJURIES COMPENSATION	OTHER	TOTALS FOR THE YEAR ENDED JUNE 30, 1987	JUNE 30, 1986
REVENUES:							
TAXES	$ 380,514	$ 408				$ 380,922	$ 291,371
LICENSES, FEES AND PERMITS	466	16,343	$ 5,198	$ 4,661	$ 2,985	29,653	24,170
INTEREST ON INVESTMENTS	2,336					2,336	
FEDERAL	281,172	4,773	2,132		361	288,438	334,129
DEPARTMENTAL SERVICES	14,742	1,400	1,721		856	18,719	11,362
OTHER	5,054					5,054	4,900
TOTAL REVENUES	684,284	22,924	9,051	4,661	4,202	725,122	665,932
EXPENDITURES:							
GENERAL GOVERNMENT			7,746	3,240	6	10,992	10,233
EDUCATION					1,324	1,324	1,564
HEALTH AND SOCIAL SERVICES					2,594	2,594	2,176
LAW, JUSTICE AND PUBLIC SAFETY			—		256	256	191
RECREATION AND RESOURCES DEVELOPMENT		23,475				23,475	19,409
REGULATION OF BUSINESS AND PROFESSIONS					21	21	3
TRANSPORTATION	648,298					648,298	654,294
TOTAL EXPENDITURES	648,298	23,475	7,746	3,240	4,201	686,960	687,870
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	35,986	(551)	1,305	1,421	1	38,162	(21,938)
OTHER FINANCING SOURCES:							
OPERATING TRANSFER FROM GENERAL FUND	10,512	888			2,125	13,525	14,279
OPERATING TRANSFER FROM DEBT SERVICE FUND	13,600					13,600	14,400
TOTAL OTHER FINANCING SOURCES	24,112	888			2,125	27,125	28,679
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	60,098	337	1,305	1,421	2,126	65,287	6,741
FUND BALANCES, JULY 1	220,512	12,279	1,370	1,166	11,959	247,286	240,545
FUND BALANCES, JUNE 30 (Note 2)	$ 280,610	$ 12,616	$ 2,675	$ 2,587	$ 14,085	$ 312,573	$ 247,286

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINING BALANCE SHEET
OTHER SPECIAL REVENUE FUNDS
JUNE 30, 1987

(Expressed in Thousands)

ASSETS	ABANDONED LAND PROGRAM	DRIVER EDUCATION	HAZARDOUS WASTE	REGULATORY BOARDS	DRUNK DRIVERS VICTIM COMPENSATION	TOTALS JUNE 30, 1987	TOTALS JUNE 30, 1986
CASH AND CASH EQUIVALENTS	$ 1,479	$ 924	$ 9,386	$1,144	$1,280	$ 14,213	$12,214
RECEIVABLES							1
TOTAL ASSETS	$ 1,479	$ 924	$ 9,386	$1,144	$1,280	$ 14,213	$12,215
LIABILITIES AND FUND BALANCES							
LIABILITIES:							
WARRANTS PAYABLE	$ 1	$ 2	$ 48	$ 3	$ 4	$ 58	$ 22
ACCOUNTS PAYABLE AND ACCRUALS	1	11	47		2	61	225
INTERFUND PAYABLES (Note 2)		1	8			9	9
TOTAL LIABILITIES	2	14	103	3	6	128	256
FUND BALANCES (Note 1):							
RESERVED FOR ENCUMBRANCES AND CONTRACTS		4	4			8	109
RESERVED FOR OTHER SPECIFIC PURPOSES	1,477	906	9,279	1,141	1,274	14,077	11,850
TOTAL FUND BALANCES	1,477	910	9,283	1,141	1,274	14,085	11,959
TOTAL LIABILITIES AND FUND BALANCES	$ 1,479	$ 924	$ 9,386	$1,144	$1,280	$ 14,213	$12,215

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OTHER SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 1987

(Expressed in Thousands)

	ABANDONED LAND PROGRAM	DRIVER EDUCATION	HAZARDOUS WASTE	REGULATORY BOARDS	DRUNK DRIVERS VICTIM COMPENSATION	TOTALS FOR THE YEAR ENDED JUNE 30, 1987	JUNE 30, 1986
REVENUES:							
LICENSES, FEES AND PERMITS	$ 179	$1,686		$ 290	$ 830	$ 2,985	$ 2,323
FEDERAL			$ 361			361	315
DEPARTMENTAL SERVICES		1	799	56		856	1,662
TOTAL REVENUES	179	1,687	1,160	346	830	4,202	4,300
EXPENDITURES:							
GENERAL GOVERNMENT					6	6	
EDUCATION		1,324				1,324	1,564
HEALTH AND SOCIAL SERVICES	578		2,016			2,594	2,176
LAW, JUSTICE AND PUBLIC SAFETY		256				256	191
REGULATIONS OF BUSINESS AND PROFESSIONS				21		21	3
TOTAL EXPENDITURES	578	1,580	2,016	21	6	4,201	3,934
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(399)	107	(856)	325	824	1	366
OTHER FINANCING SOURCES:							
OPERATING TRANSFERS FROM GENERAL FUND			2,125			2,125	3,504
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	(399)	107	1,269	325	824	2,126	3,870
FUND BALANCES, JULY 1	1,876	803	8,014	816	450	11,959	8,089
FUND BALANCES, JUNE 30 (Note 2)	$ 1,477	$ 910	$ 9,283	$1,141	$1,274	$ 14,085	$11,959

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
BALANCE SHEET
HIGHWAY FUND
JUNE 30, 1987

(Expressed in Thousands)

ASSETS	JUNE 30, 1987	JUNE 30, 1986
CASH AND CASH EQUIVALENTS	$ 329,285	$ 261,042
ACCOUNTS RECEIVABLE	6	8
DUE FROM OTHER GOVERNMENTS	25,184	32,334
INTERFUND RECEIVABLES (Note 2)	1,229	667
INVENTORIES, at cost	5,368	5,892
TOTAL ASSETS	$ 361,072	$ 299,943
LIABILITIES AND FUND BALANCE		
LIABILITIES:		
WARRANTS PAYABLE	$ 16,355	$ 18,187
ACCOUNTS PAYABLE AND ACCRUALS:		
ACCOUNTS PAYABLE	40,883	37,104
CONTRACT RETAINAGE	3,780	5,443
ACCRUED PAYROLL AND RELATED DEDUCTIONS	3,434	1,088
INTERFUND PAYABLES (Note 2)	932	856
DEFERRED REVENUE	7,753	9,760
DEPOSITS PAYABLE	7,325	6,993
TOTAL LIABILITIES	80,462	79,431
FUND BALANCE (Note 1):		
RESERVED FOR INVENTORIES	5,368	5,892
RESERVED FOR ENCUMBRANCES AND CONTRACTS	156,955	138,901
RESERVED FOR OTHER SPECIFIC PURPOSES:		
INTERSTATE HIGHWAYS	15,514	16,548
PRIMARY SYSTEM	4,182	6,066
URBAN HIGHWAYS	843	843
SECONDARY ROADS	8,197	6,969
APPALACHIA HIGHWAYS AND ACCESS ROUTES	6,591	1,139
RURAL ROADS	3,319	3,328
METROPOLITAN URBAN SYSTEMS	3,156	2,757
BRIDGE REPLACEMENT	19,756	9,654
HIGHWAY SAFETY CONSTRUCTION	7,611	5,786
OTHERS	22,335	11,867
UNRESERVED	26,783	10,762
TOTAL FUND BALANCE	280,610	220,512
TOTAL LIABILITIES AND FUND BALANCE	$ 361,072	$ 299,943

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
HIGHWAY FUND
FOR THE YEAR ENDED JUNE 30, 1987

(Expressed in Thousands)

	FOR THE YEAR ENDED	
	JUNE 30, 1987	JUNE 30, 1986
REVENUES:		
TAXES	$ 380,514	$ 290,982
LICENSES	466	481
INTEREST ON INVESTMENTS	2,336	
FEDERAL	281,172	329,081
DEPARTMENTAL SERVICES	14,742	7,152
OTHER	5,054	4,900
TOTAL REVENUES	684,284	632,596
EXPENDITURES:		
INTERSTATE HIGHWAY CONSTRUCTION	108,448	149,076
PRIMARY SYSTEM CONSTRUCTION	88,477	66,265
APPALACHIA CONSTRUCTION	10,763	17,756
STATE SYSTEM CONSTRUCTION	95,548	65,278
OTHER CONSTRUCTION	138,949	169,179
MAINTENANCE AND MARKING	144,596	129,611
ADMINISTRATIVE AND OTHER	61,517	57,129
TOTAL EXPENDITURES	648,298	654,294
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	35,986	(21,698)
OTHER FINANCING SOURCES:		
OPERATING TRANSFER FROM GENERAL FUND	10,512	10,000
OPERATING TRANSFER FROM DEBT SERVICE FUND	13,600	14,400
TOTAL OTHER FINANCING SOURCES	24,112	24,400
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	60,098	2,702
FUND BALANCE, JULY 1	220,512	217,810
FUND BALANCE, JUNE 30 (Note 2)	$ 280,610	$ 220,512

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
SCHEDULE OF REVENUES BY SOURCE
HIGHWAY FUND
FOR THE YEAR ENDED JUNE 30, 1987

(Expressed in Thousands)

REVENUES BY SOURCE	FOR THE YEAR ENDED JUNE 30, 1987	JUNE 30, 1986
TAXES:		
GASOLINE	$ 186,281	$ 110,402
MOTOR FUEL	50,175	38,940
PETROLEUM PRODUCTS	21,583	21,352
MOTOR VEHICLE REGISTRATION	119,235	117,286
GROSS RECEIPTS TAX	1,639	1,482
BEER TAX	1,601	1,520
	380,514	290,982
OUTDOOR ADVERTISING LICENSES	466	481
INTEREST ON INVESTMENTS	2,336	
FEDERAL	281,172	329,081
DEPARTMENTAL SERVICES:		
CITIES AND COUNTIES	12,090	3,471
STATE AGENCIES	2,652	3,681
OTHER - OVERWEIGHT VEHICLES, SALE OF PLANS, ETC.	5,054	4,900
TOTAL REVENUES BY SOURCE	$ 684,284	$ 632,596

See accompanying Notes to the Financial Statements

STATE OF TENNESSEE
SCHEDULE OF EXPENDITURES BY OBJECT
HIGHWAY FUND
FOR THE YEAR ENDED JUNE 30, 1987

(Expressed in Thousands)

EXPENDITURES BY OBJECT	FOR THE YEAR ENDED JUNE 30, 1987	JUNE 30, 1986
PERSONAL SERVICES	$ 95,410	$ 87,295
EMPLOYEE BENEFITS	23,332	21,536
TRAVEL	829	763
PRINTING, DUPLICATING AND FILM PROCESSING	658	621
UTILITIES AND FUEL	1,281	1,258
COMMUNICATION AND SHIPPING COSTS	1,502	1,288
MAINTENANCE, REPAIRS AND SERVICES	924	1,021
PROFESSIONAL AND ADMINISTRATIVE SERVICES	20,496	14,392
SUPPLIES	17,222	19,665
RENTALS AND INSURANCE	3,074	2,806
MOTOR VEHICLE OPERATION	2,797	3,128
AWARDS AND INDEMNITIES	45	27
GRANTS AND SUBSIDIES	12,347	12,598
ITEMS FOR RESALE, REISSUE OR MANUFACTURE	9,796	10,474
EQUIPMENT	8,912	9,213
LAND	38,473	17,995
BUILDINGS	287	213
HIGHWAY CONSTRUCTION	410,913	450,001
TOTAL EXPENDITURES BY OBJECT	$ 648,298	$ 654,294

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
ALL SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 1987

(Expressed in Thousands)

	HIGHWAY FUND		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)
SOURCES OF FINANCIAL RESOURCES:			
FUND BALANCES (BUDGETARY BASIS), JULY 1	$ 16,654	$ 16,654	
ADD - ENCUMBRANCE AND CONTRACT RESERVES REAPPROPRIATED	203,859	203,859	
ADJUSTED FUND BALANCES (BUDGETARY BASIS), JULY 1	220,513	220,513	
REVENUES:			
TAXES	377,800	380,514	$ 2,714
LICENSES, FEES AND PERMITS	400	466	66
INTEREST ON INVESTMENTS		2,336	2,336
FEDERAL	277,766	281,172	3,406
DEPARTMENTAL SERVICES	14,335	14,742	407
OTHER	3,878	5,054	1,176
OTHER FINANCING SOURCES - TRANSFERS IN	24,112	24,112	
TOTAL SOURCES OF FINANCIAL RESOURCES	**918,804**	**928,909**	**10,105**
USES OF FINANCIAL RESOURCES:			
EXPENDITURES AND ENCUMBRANCES:			
PUBLIC SERVICE COMMISSION			
WILDLIFE RESOURCES			
TRANSPORTATION	898,360	896,758	1,602
TOTAL USES OF FINANCIAL RESOURCES	**898,360**	**896,758**	**1,602**
FUND BALANCES (BUDGETARY BASIS), JUNE 30 (Note 2)	**$ 20,444**	**$ 32,151**	**$ 11,707**

	CRIMINAL INJURIES COMPENSATION		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)
SOURCES OF FINANCIAL RESOURCES:			
FUND BALANCES (BUDGETARY BASIS), JULY 1	$ 1,166	$ 1,166	
ADD - ENCUMBRANCE AND CONTRACT RESERVES REAPPROPRIATED			
ADJUSTED FUND BALANCES (BUDGETARY BASIS), JULY 1	1,166	1,166	
REVENUES:			
TAXES			
LICENSES, FEES AND PERMITS		4,660	$ 4,660
INTEREST ON INVESTMENTS			
FEDERAL	1,659		(1,659)
DEPARTMENTAL SERVICES			
OTHER			
OTHER FINANCING SOURCES - TRANSFERS IN			
TOTAL SOURCES OF FINANCIAL RESOURCES	**2,825**	**5,826**	**3,001**
USES OF FINANCIAL RESOURCES:			
EXPENDITURES AND ENCUMBRANCES:			
TREASURER	7,082	3,240	3,842
PUBLIC SERVICE COMMISSION			
EDUCATION			
HEALTH AND ENVIRONMENT			
SAFETY			
WILDLIFE RESOURCES			
COMMERCE AND INSURANCE			
TRANSPORTATION			
TOTAL USES OF FINANCIAL RESOURCES	**7,082**	**3,240**	**3,842**
FUND BALANCES (BUDGETARY BASIS), JUNE 30 (Note 2)	**$ (4,257)**	**$ 2,586**	**$ 6,843**

See accompanying Notes to the Financial Statements.

WILDLIFE RESOURCES AGENCY			PUBLIC SERVICE COMMISSION		
BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)
$ 11,723	$ 11,723		$ 1,285	$ 1,285	
555	555		86	86	
12,278	12,278		1,371	1,371	
408	408				
15,092	16,343	$ 1,251	5,900	5,198	$ (702)
5,042	4,774	(268)	1,084	2,132	1,048
1,498	1,400	(98)	791	1,721	930
888	888				
35,206	36,091	885	9,146	10,422	1,276
			10,041	7,852	2,189
26,911	23,984	2,927			
26,911	23,984	2,927	10,041	7,852	2,189
$ 8,295	$ 12,107	$ 3,812	$ (895)	$ 2,570	$ 3,465

OTHER SPECIAL REVENUE FUNDS			TOTAL SPECIAL REVENUE FUNDS		
BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)
$ 11,850	$ 11,850		$ 42,678	$ 42,678	
109	109		204,609	204,609	
11,959	11,959		247,287	247,287	
			378,208	380,922	$ 2,714
1,620	2,985	$ 1,365	23,012	29,652	6,640
				2,336	2,336
615	361	(254)	286,166	288,439	2,273
1,000	856	(144)	17,624	18,719	1,095
			3,878	5,054	1,176
2,124	2,124		27,124	27,124	
17,318	18,285	967	983,799	999,533	16,234
1,890	6	1,884	8,972	3,246	5,726
			10,041	7,852	2,189
1,400	1,323	77	1,400	1,323	77
4,349	2,598	1,751	4,349	2,598	1,751
344	261	83	344	261	83
			26,911	23,984	2,927
104	20	84	104	20	84
			898,360	896,758	1,602
8,087	4,208	3,879	950,481	936,042	14,439
$ 9,231	$ 14,077	$ 4,846	$ 32,818	$ 63,491	$ 30,673

STATE OF TENNESSEE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
OTHER SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 1987

(Expressed in Thousands)

	ABANDONED LAND PROGRAM		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)
SOURCES OF FINANCIAL RESOURCES:			
FUND BALANCES (BUDGETARY BASIS), JULY 1	$ 1,876	$ 1,876	
ADD - ENCUMBRANCE RESERVES REAPPROPRIATED			
ADJUSTED FUND BALANCES (BUDGETARY BASIS), JULY 1	1,876	1,876	
REVENUES:			
LICENSES, FEES AND PERMITS		179	$ 179
FEDERAL	121		(121)
DEPARTMENTAL SERVICES			
OTHER FINANCING SOURCES - TRANSFERS IN			
TOTAL SOURCES OF FINANCIAL RESOURCES	**1,997**	**2,055**	**58**
USES OF FINANCIAL RESOURCES:			
EXPENDITURES AND ENCUMBRANCES:			
EDUCATION			
HEALTH AND ENVIRONMENT	727	578	149
SAFETY			
TOTAL USES OF FINANCIAL RESOURCES	**727**	**578**	**149**
FUND BALANCES (BUDGETARY BASIS), JUNE 30 (Note 2)	**$ 1,270**	**$ 1,477**	**$ 207**

	REGULATORY BOARDS		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)
SOURCES OF FINANCIAL RESOURCES:			
FUND BALANCES (BUDGETARY BASIS), JULY 1	$ 816	$ 816	
ADD - ENCUMBRANCE RESERVES REAPPROPRIATED			
ADJUSTED FUND BALANCES (BUDGETARY BASIS), JULY 1	816	816	
REVENUES:			
LICENSES, FEES AND PERMITS		290	$ 290
FEDERAL			
DEPARTMENTAL SERVICES		56	56
OTHER FINANCING SOURCES - TRANSFERS IN			
TOTAL SOURCES OF FINANCIAL RESOURCES	**816**	**1,162**	**346**
USES OF FINANCIAL RESOURCES:			
EXPENDITURES AND ENCUMBRANCES:			
TREASURER			
EDUCATION			
HEALTH AND ENVIRONMENT			
SAFETY			
COMMERCE AND INSURANCE	104	20	84
TOTAL USES OF FINANCIAL RESOURCES	**104**	**20**	**84**
FUND BALANCES (BUDGETARY BASIS), JUNE 30 (Note 2)	**$ 712**	**$ 1,142**	**$ 430**

See accompanying Notes to the Financial Statements.

DRIVER EDUCATION			HAZARDOUS WASTE		
BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)
$ 697	$ 697		$ 8,011	$ 8,011	
106	106		3	3	
803	803		8,014	8,014	
	—				
1,620	1,686	$ 66			
			494	361	$ (133)
	1	1	1,000	799	(201)
			2,124	2,124	
2,423	**2,490**	**67**	**11,632**	**11,298**	**(334)**
1,400	1,323	77			
			3,622	2,020	1,602
344	261	83			
1,744	**1,584**	**160**	**3,622**	**2,020**	**1,602**
$ 679	**$ 906**	**$ 227**	**$ 8,010**	**$ 9,278**	**$ 1,268**

DRUNK DRIVERS VICTIM COMPENSATION			TOTAL OTHER SPECIAL REVENUE FUNDS		
BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)
$ 450	$ 450		$ 11,850	$ 11,850	
			109	109	
450	450		11,959	11,959	
	830	$ 830	1,620	2,985	$ 1,365
			615	361	(254)
			1,000	856	(144)
			2,124	2,124	
450	**1,280**	**830**	**17,318**	**18,285**	**967**
1,890	6	1,884	1,890	6	1,884
			1,400	1,323	77
			4,349	2,598	1,751
			344	261	83
			104	20	84
1,890	**6**	**1,884**	**8,087**	**4,208**	**3,879**
$ (1,440)	**$ 1,274**	**$ 2,714**	**$ 9,231**	**$ 14,077**	**$ 4,846**

Debt Service Fund

The Debt Service Fund is maintained to account for accumulation of resources for, and the payment of, principal and interest on general long-term debt.

STATE OF TENNESSEE
BALANCE SHEET
DEBT SERVICE FUND
JUNE 30, 1987

(Expressed in Thousands)

ASSETS	JUNE 30, 1987	JUNE 30, 1986
CASH AND CASH EQUIVALENTS	$ 6,647	$ 5,759
TOTAL ASSETS	$ 6,647	$ 5,759
LIABILITIES AND FUND BALANCE		
LIABILITIES:		
WARRANTS PAYABLE	$ 6	$ 19
MATURED BONDS AND INTEREST PAYABLE	1,185	1,682
ACCRUED INTEREST ON BOND ANTICIPATION NOTES	98	223
TOTAL LIABILITIES	1,289	1,924
FUND BALANCE (Note 1):		
RESERVED FOR BOND CANCELLATION	3,900	
UNRESERVED:		
DESIGNATED FOR OTHER SPECIFIC PURPOSES		2,200
UNDESIGNATED	1,458	1,635
TOTAL FUND BALANCE	5,358	3,835
TOTAL LIABILITIES AND FUND BALANCE	$ 6,647	$ 5,759

STATE OF TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 1987

(Expressed in Thousands)

	FOR THE YEAR ENDED	
	JUNE 30, 1987	JUNE 30, 1986
REVENUES:		
TAXES:		
SALES AND USE	$ 18,248	$ 17,067
GASOLINE	32,000	29,300
FRANCHISE	16,000	16,000
EXCISE	63,600	40,900
	129,848	103,267
FEDERAL	92	92
OTHER	3,059	72
TOTAL REVENUES	132,999	103,431
EXPENDITURES:		
BOND PRINCIPAL RETIREMENT	59,925	50,125
BOND INTEREST	34,553	26,297
NOTE INTEREST	5,533	2,363
OTHER	180	144
TOTAL EXPENDITURES	100,191	78,929
EXCESS OF REVENUES OVER EXPENDITURES	32,808	24,502
OTHER FINANCING SOURCES (USES):		
OPERATING TRANSFER FROM (TO) GENERAL FUND	(17,685)	1,800
OPERATING TRANSFER (TO) CAPITAL PROJECTS FUND		(11,820)
OPERATING TRANSFER (TO) HIGHWAY FUND	(13,600)	(14,400)
TOTAL OTHER FINANCING SOURCES (USES)	(31,285)	(24,420)
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	1,523	82
FUND BALANCE, JULY 1	3,835	3,753
FUND BALANCE, JUNE 30	$ 5,358	$ 3,835

See accompanying Notes to the Financial Statements.

Capital Projects Fund

The Capital Projects Fund is maintained to account for the acquisition or construction of major governmental general fixed assets financed principally by long-term bonds.

STATE OF TENNESSEE
BALANCE SHEET
CAPITAL PROJECTS FUND
JUNE 30, 1987

(Expressed in Thousands)

ASSETS	JUNE 30, 1987	JUNE 30, 1986
CASH AND CASH EQUIVALENTS	$ 402,005	$ 502,197
DUE FROM OTHER GOVERNMENTS	2,765	1,221
INTERFUND RECEIVABLES (Note 2)	8,189	7,707
TOTAL ASSETS	$ 412,959	$ 511,125
LIABILITIES AND FUND BALANCE		
LIABILITIES:		
WARRANTS PAYABLE	$ 1,003	$ 3,601
ACCOUNTS PAYABLE	10,771	6,620
INTERFUND PAYABLES (Note 2)	807	1,787
NOTES PAYABLE (Note 3)	14,800	115,800
DEFERRED REVENUE	176	124
TOTAL LIABILITIES	27,557	127,932
FUND BALANCE (Note 1):		
RESERVED FOR ENCUMBRANCES AND CONTRACTS	50,743	33,119
RESERVED FOR APPROVED CAPITAL PROJECTS	301,532	138,065
RESERVED FOR FUTURE CAPITAL PROJECTS	33,127	212,009
TOTAL FUND BALANCE	385,402	383,193
TOTAL LIABILITIES AND FUND BALANCE	$ 412,959	$ 511,125

STATE OF TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 1987

(Expressed in Thousands)

	FOR THE YEAR ENDED	
	JUNE 30, 1987	JUNE 30, 1986
REVENUES:		
FEDERAL	$ 5,840	$ 4,140
DEPARTMENTAL SERVICES	1,219	1,364
TOTAL REVENUES	7,059	5,504
EXPENDITURES:		
GENERAL GOVERNMENT	41,278	19,877
EDUCATION	2,668	7,481
HEALTH AND SOCIAL SERVICES	3,275	9,614
LAW, JUSTICE AND PUBLIC SAFETY	18,145	15,857
RECREATION AND RESOURCES DEVELOPMENT	7,375	6,339
TOTAL EXPENDITURES	72,741	59,168
EXCESS OF EXPENDITURES OVER REVENUES	(65,682)	(53,664)
OTHER FINANCING SOURCES (USES):		
PROCEEDS FROM BOND SALE	113,075	196,000
OPERATING TRANSFER FROM (TO) GENERAL FUND	(10,188)	185,157
OPERATING TRANSFER FROM DEBT SERVICE FUND		11,820
OPERATING TRANSFER (TO) COLLEGE AND UNIVERSITY FUNDS	(34,996)	(57,222)
TOTAL OTHER FINANCING SOURCES	67,891	335,755
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	2,209	282,091
FUND BALANCE, JULY 1	383,193	101,102
FUND BALANCE, JUNE 30	$385,402	$383,193

See accompanying Notes to the Financial Statements.

Enterprise Funds

The Enterprise Funds are used to account for the operations of state agencies that provide goods or services to the general public on a user charge basis. The state's enterprise operations are described below.

Housing Development Agency - Created by the legislature in 1973, the purpose of this agency is to improve the quality of housing available to lower and moderate income Tennesseans. This objective is accomplished in part by (1) making funds available for loans for residential construction or rehabilitation, (2) making or participating in the making of insured mortgage loans and (3) purchasing existing mortgages from lending institutions. These programs are funded primarily from the sale of revenue bonds or notes.

Local Development Authority - This authority was created in 1978 for the purpose of providing to local governments, through the issuing of revenue bonds or notes, the financing assistance previously provided by the State Loan Program. In addition, the Authority may assist small business concerns in financing pollution control facilities and farmers in financing certain capital improvements.

State Loan Program - Operated since the early 1970's through the Department of Health and Environment, this program has provided financial assistance to local governments and utility districts for the construction of sewage treatment, solid waste recovery and waterworks facilities. In order for these borrowing entities to generate funds necessary to repay the loans, the imposition of a user's fee by the local systems was authorized. In order to finance this program, general obligation bonds were sold which, although remaining full faith and credit obligations of the state, are being retired from resources of this fund. Future financing for this program will be generated from the sale of revenue bonds or notes by the Local Development Authority.

Other - Three smaller enterprise operations are included in this group, as follows:

1. Housing Rehabilitation Corporation - Established in 1973, this corporation's purpose is to provide a means of encouraging the rehabilitation of existing housing. To facilitate this objective the corporation insures first mortgage loans on existing houses and insures loans for home improvements. Although they have received state appropriations in the past, it is intended that the corporation be self-funded with revenues from investments, fees and premium income.

2. Federal Property Utilization, a division of the Department of General Services - This agency receives surplus federal property and redistributes it to civil defense units, health and educational institutions and other eligible donees within the state. The agency collects fees from the donees to offset operating costs.

3. State Employees' Cafeteria, also a division of the Department of General Services - This Nashville division operates two cafeterias for the convenience of state employees, one in the Andrew Jackson State Office Building and another in the Legislative Plaza.

STATE OF TENNESSEE
COMBINING BALANCE SHEET
ALL ENTERPRISE FUNDS
JUNE 30, 1987

(Expressed in Thousands)

ASSETS	HOUSING DEVELOPMENT AGENCY	LOCAL DEVELOPMENT AUTHORITY	STATE LOAN PROGRAM	OTHER	TOTALS JUNE 30, 1987	TOTALS JUNE 30, 1986
CURRENT ASSETS:						
CASH AND CASH EQUIVALENTS	$ 185,586	$ 55,388	$ 9,397	$ 893	$ 251,264	$ 216,748
RECEIVABLES:						
ACCOUNTS	6,233			28	6,261	6,175
INTEREST	13,561	3			13,564	13,376
FIRST MORTGAGE LOANS - CURRENT PORTION	6,615				6,615	7,869
DUE FROM OTHER GOVERNMENTS - CURRENT PORTION		1,532	2,805		4,337	3,932
INTERFUND RECEIVABLES (Note 2)				2	2	3
INVENTORIES, at cost				9	9	11
TOTAL CURRENT ASSETS	211,995	56,923	12,202	932	282,052	248,114
OTHER ASSETS:						
RESTRICTED INVESTMENTS						3,664
LONG-TERM INVESTMENTS, at cost	155,088	6,303			161,391	129,156
FIRST MORTGAGE LOANS RECEIVABLE	801,845				801,845	799,658
DUE FROM OTHER GOVERNMENTS		61,566	61,329		122,895	120,740
DEFERRED CHARGES	970	695			1,665	978
TOTAL OTHER ASSETS	957,903	68,564	61,329		1,087,796	1,054,196
LAND, at cost				29	29	29
STRUCTURES AND IMPROVEMENTS, at cost				98	98	98
MACHINERY AND EQUIPMENT, at cost	80			425	505	538
LESS ACCUMULATED DEPRECIATION	(33)			(359)	(392)	(401)
TOTAL FIXED ASSETS	47			193	240	264
TOTAL ASSETS	$ 1,169,945	$ 125,487	$ 73,531	$ 1,125	$ 1,370,088	$ 1,302,574
LIABILITIES AND FUND EQUITY						
LIABILITIES:						
CURRENT LIABILITIES:						
WARRANTS PAYABLE	$ 1,604	$ 342		$ 24	$ 1,970	$ 1,493
ACCOUNTS PAYABLE AND ACCRUALS	49,054	3,650	$ 1,816	143	54,663	50,837
INTERFUND PAYABLES (Note 2)	18			7	25	25
NOTES PAYABLE (Note 3)		61,500			61,500	62,500
CURRENT PORTION OF LONG - TERM DEBT (Note 3)	70,758	1,532	2,805		75,095	50,881
DEFERRED REVENUE	2,389			1	2,390	2,658
TOTAL CURRENT LIABILITIES	123,823	67,024	4,621	175	195,643	168,394
LONG-TERM DEBT - BONDS PAYABLE, NET (Note 3)	954,552	54,521	63,565		1,072,638	1,045,985
CALL PREMIUMS PAYABLE		733			733	
TOTAL LONG-TERM DEBT	954,552	55,254	63,565		1,073,371	1,045,985
TOTAL LIABILITIES	1,078,375	122,278	68,186	175	1,269,014	1,214,379
FUND EQUITY (Note 2):						
CONTRIBUTED CAPITAL	2,500			793	3,293	3,206
RETAINED EARNINGS:						
RESERVED FOR BOND RETIREMENT	14,310				14,310	13,317
RESERVED FOR SEWAGE TREATMENT LOANS		3,258			3,258	2,094
UNRESERVED	74,760	(49)	5,345	157	80,213	69,578
TOTAL FUND EQUITY	91,570	3,209	5,345	950	101,074	88,195
TOTAL LIABILITIES AND FUND EQUITY	$ 1,169,945	$ 125,487	$ 73,531	$ 1,125	$ 1,370,088	$ 1,302,574

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY
ALL ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 1987

(Expressed in Thousands)

	HOUSING DEVELOPMENT AGENCY	LOCAL DEVELOPMENT AUTHORITY	STATE LOAN PROGRAM	OTHER	TOTALS FOR THE YEAR ENDED JUNE 30, 1987	TOTALS FOR THE YEAR ENDED JUNE 30, 1986
OPERATING REVENUES:						
CHARGES FOR SERVICES	$ 899	$ 5,256	$ 3,777	$ 1,530	$ 11,462	$ 11,277
INTEREST INCOME	100,476	7,498	560	33	108,567	108,602
TOTAL OPERATING REVENUES	101,375	12,754	4,337	1,563	120,029	119,879
OPERATING EXPENSES:						
PERSONAL SERVICES	2,045			838	2,883	2,927
CONTRACTUAL SERVICES	762	706	1	228	1,697	1,191
MORTGAGE SERVICE FEES	2,686				2,686	2,588
MATERIALS AND SUPPLIES	115			404	519	459
RENTALS AND INSURANCE	149			37	186	203
INTEREST	84,844	6,431	4,041		95,316	98,771
DEPRECIATION AND AMORTIZATION	139	58		29	226	387
OTHER	752			21	773	1,310
TOTAL OPERATING EXPENSES	91,492	7,195	4,042	1,557	104,286	107,836
OPERATING INCOME	9,883	5,559	295	6	15,743	12,043
NONOPERATING REVENUES (EXPENSES):						
OPERATING GRANTS	18,862				18,862	17,584
GRANT EXPENSE	(18,862)				(18,862)	(17,449)
GAIN ON SALE OF INVESTMENTS	5,773				5,773	
TOTAL NONOPERATING REVENUES (EXPENSES)	5,773				5,773	135
INCOME BEFORE OPERATING TRANSFER	15,656	5,559	295	6	21,516	12,178
OPERATING TRANSFER FROM GENERAL FUND		1,000			1,000	1,000
INCOME BEFORE EXTRAORDINARY CHARGE	15,656	6,559	295	6	22,516	13,178
EXTRAORDINARY CHARGE (NOTE 3)	(1,188)	(8,536)			(9,724)	
NET INCOME (LOSS)/CHANGE IN RETAINED EARNINGS	14,468	(1,977)	295	6	12,792	13,178
OTHER CHANGES IN FUND EQUITY:						
EQUITY TRANSFER FROM GENERAL FUND				87	87	2,500
NET CHANGE IN FUND EQUITY	14,468	(1,977)	295	93	12,879	15,678
FUND EQUITY, JULY 1	77,102	5,186	5,050	857	88,195	72,517
FUND EQUITY, JUNE 30 (Note 2)	$ 91,570	$ 3,209	$ 5,345	$ 950	$ 101,074	$ 88,195

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION
ALL ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 1987

(Expressed in Thousands)

	HOUSING DEVELOPMENT AGENCY	LOCAL DEVELOPMENT AUTHORITY	STATE LOAN PROGRAM	OTHER	TOTALS FOR THE YEAR ENDED JUNE 30, 1987	JUNE 30, 1986
SOURCES OF WORKING CAPITAL:						
OPERATIONS:						
INCOME BEFORE EXTRAORDINARY ITEM	$ 15,656	$ 6,559	$ 295	$ 6	$ 22,516	$ 13,178
ITEMS NOT REQUIRING WORKING CAPITAL -						
DISCOUNT AMORTIZATION	1,165	58			1,223	1,540
DEPRECIATION AND AMORTIZATION	139			29	168	387
MULTIPLIER BOND ACCRETION	4,900				4,900	4,702
WORKING CAPITAL PROVIDED BY OPERATIONS, EXCLUSIVE OF EXTRAORDINARY ITEMS	21,860	6,617	295	35	28,807	19,807
EXTRAORDINARY ITEMS	(1,188)	(8,536)			(9,724)	
WORKING CAPITAL PROVIDED BY OPERATIONS	20,672	(1,919)	295	35	19,083	19,807
PROCEEDS FROM SALE OF BONDS	134,723	37,853			172,576	158,573
DISPOSAL OF MACHINERY AND EQUIPMENT				4	4	
DECREASE IN LOANS TO OTHER GOVERNMENTS			2,863		2,863	2,904
DECREASE IN MORTGAGE LOANS RECEIVABLE	79,255				79,255	12,279
SALE OF LONG-TERM INVESTMENTS		403			403	
EQUITY TRANSFER FROM GENERAL FUND				87	87	2,500
DECREASE IN RESTRICTED INVESTMENTS		3,664			3,664	
TOTAL SOURCES OF WORKING CAPITAL	234,650	40,001	3,158	126	277,935	196,063
USES OF WORKING CAPITAL:						
PURCHASE OF RESTRICTED INVESTMENTS	32,638				32,638	3,664
PURCHASE OF LONG-TERM INVESTMENTS						9,805
INCREASE IN LOANS TO LOCAL GOVERNMENTS		5,018			5,018	
INCREASE IN FIRST MORTGAGE LOANS RECEIVABLE	81,442				81,442	145,589
INCREASE IN DEFERRED CHARGES	193				193	194
ACQUISITION OF MACHINERY AND EQUIPMENT	16				16	34
DECREASE IN LONG-TERM DEBT	109,604	39,530	2,805		151,939	50,094
TOTAL USES OF WORKING CAPITAL	223,893	44,548	2,805		271,246	209,380
NET CHANGE IN WORKING CAPITAL	$ 10,757	$ (4,547)	$ 353	$ 126	$ 6,689	$ (13,317)
ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL:						
CASH AND CASH EQUIVALENTS	$ 40,865	$ (6,717)	$ 268	$ 100	$ 34,516	$ 80,075
CASH ON DEPOSIT WITH FISCAL AGENT						(68,850)
ACCOUNTS RECEIVABLE	92			(6)	86	2,537
INTEREST RECEIVABLE	189		(1)		188	(115)
FIRST MORTGAGE LOANS RECEIVABLE	(1,254)				(1,254)	(26,044)
CURRENT DUE FROM OTHER GOVERNMENTS		255	150		405	210
INTERFUND RECEIVABLES				(1)	(1)	(26)
INVENTORIES				(2)	(2)	
WARRANTS PAYABLE	(159)	(339)		21	(477)	(111)
ACCOUNTS PAYABLE AND ACCRUALS	(5,434)	1,509	88	13	(3,826)	20
INTERFUND PAYABLES						(2)
NOTES PAYABLE		1,000			1,000	27,700
CURRENT PORTION OF LONG-TERM DEBT	(23,809)	(255)	(150)		(24,214)	(29,129)
DEFERRED REVENUE	267			1	268	418
NET CHANGE IN WORKING CAPITAL	$ 10,757	$ (4,547)	$ 353	$ 126	$ 6,689	$ (13,317)

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINING BALANCE SHEET
OTHER ENTERPRISE FUNDS
JUNE 30, 1987

(Expressed in Thousands)

ASSETS	HOUSING REHABILITATION CORPORATION	FEDERAL PROPERTY UTILIZATION	STATE EMPLOYEES' CAFETERIA	TOTALS JUNE 30, 1987	TOTALS JUNE 30, 1986
CURRENT ASSETS:					
CASH AND CASH EQUIVALENTS	$ 567	$ 279	$ 47	$ 893	$ 793
ACCOUNTS RECEIVABLE		28		28	34
INTERFUND RECEIVABLES (NOTE 2)		2		2	3
INVENTORIES, at cost			9	9	11
TOTAL CURRENT ASSETS	567	309	56	932	841
LAND, at cost		29		29	29
STRUCTURES AND IMPROVEMENTS, at cost		98		98	98
MACHINERY AND EQUIPMENT, at cost	3	225	197	425	459
LESS ACCUMULATED DEPRECIATION	(3)	(168)	(188)	(359)	(360)
TOTAL FIXED ASSETS		184	9	193	226
TOTAL ASSETS	$ 567	$ 493	$ 65	$1,125	$1,067
LIABILITIES AND FUND EQUITY					
LIABILITIES:					
CURRENT LIABILITIES:					
WARRANTS PAYABLE		$ 9	$ 15	$ 24	$ 45
ACCOUNTS PAYABLE AND ACCRUALS		82	61	143	156
INTERFUND PAYABLES (Note 2)		4	3	7	7
DEFERRED REVENUE	$ 1			1	2
TOTAL CURRENT LIABILITIES	1	95	79	175	210
FUND EQUITY (Note 1):					
CONTRIBUTED CAPITAL		489	304	793	706
RETAINED EARNINGS (DEFICIT):					
UNRESERVED	566	(91)	(318)	157	151
TOTAL FUND EQUITY	566	398	(14)	950	857
TOTAL LIABILITIES AND FUND EQUITY	$ 567	$ 493	$ 65	$1,125	$1,067

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY
OTHER ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 1987

(Expressed in Thousands)

	HOUSING REHABILITATION CORPORATION	FEDERAL PROPERTY UTILIZATION	STATE EMPLOYEES' CAFETERIA	TOTALS FOR THE YEAR ENDED JUNE 30, 1987	TOTALS FOR THE YEAR ENDED JUNE 30, 1986
OPERATING REVENUES:					
CHARGES FOR SERVICES	$ 3	$ 817	$ 710	$ 1,530	$ 1,387
INTEREST INCOME	33			33	36
TOTAL OPERATING REVENUES	36	817	710	1,563	1,423
OPERATING EXPENSES:					
PERSONAL SERVICES		482	356	838	850
CONTRACTUAL SERVICES		158	70	228	146
MATERIALS AND SUPPLIES		43	361	404	417
RENTALS AND INSURANCE		22	15	37	38
DEPRECIATION AND AMORTIZATION		25	4	29	31
OTHER		16	5	21	23
TOTAL OPERATING EXPENSES		746	811	1,557	1,505
NET INCOME (LOSS)/CHANGE IN RETAINED EARNINGS	36	71	(101)	6	(82)
OTHER CHANGES IN FUND EQUITY:					
EQUITY TRANSFER FROM GENERAL FUND			87	87	
NET CHANGE IN FUND EQUITY	36	71	(14)	93	(82)
FUND EQUITY, JULY 1	530	327	0	857	939
FUND EQUITY, JUNE 30 (Note 2)	$ 566	$ 398	$ (14)	$ 950	$ 857

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION
OTHER ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 1987

(Expressed in Thousands)

	HOUSING REHABILITATION CORPORATION	FEDERAL PROPERTY UTILIZATION	STATE EMPLOYEES' CAFETERIA	TOTALS FOR THE YEAR ENDED JUNE 30, 1987	JUNE 30, 1986
SOURCES OF WORKING CAPITAL:					
OPERATIONS:					
NET INCOME (LOSS)	$ 36	$ 71	$ (101)	$ 6	$ (82)
ITEMS NOT REQUIRING WORKING CAPITAL-					
DEPRECIATION AND AMORTIZATION		25	4	29	31
WORKING CAPITAL PROVIDED BY OPERATIONS	36	96	(97)	35	(51)
DISPOSAL OF MACHINERY AND EQUIPMENT		2	2	4	
EQUITY TRANSFER FROM GENERAL FUND			87	87	
TOTAL SOURCES OF WORKING CAPITAL	36	98	(8)	126	(51)
USES OF WORKING CAPITAL:					
ACQUISITION OF MACHINERY AND EQUIPMENT					30
TOTAL USES OF WORKING CAPITAL					30
NET CHANGE IN WORKING CAPITAL	$ 36	$ 98	$ (8)	$ 126	$ (81)
ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL:					
CASH AND CASH EQUIVALENTS	$ 35	$ 89	$ (24)	$ 100	$ (7)
ACCOUNTS RECEIVABLE		(6)		(6)	(15)
INTERFUND RECEIVABLES		(1)		(1)	(26)
INVENTORIES			(2)	(2)	
WARRANTS PAYABLE		3	18	21	(13)
ACCOUNTS PAYABLE AND ACCRUALS		13		13	(18)
DEFERRED REVENUE	1			1	(2)
NET CHANGE IN WORKING CAPITAL	$ 36	$ 98	$ (8)	$ 126	$ (81)

See accompanying Notes to the Financial Statements.

Internal Service Funds

The Internal Service Funds are used to account for the operations of state agencies that provide goods or services to other state agencies on a cost-reimbursement basis. The following operations are included in these funds:

Information System Services, a division of the Department of Finance and Administration - This agency functions as the data processing service bureau for state government;

Claims Award - This fund was created in 1986 to pay awards for claims made against the state once validity of the claims has been determined by the Tennessee Claims Commission.

Motor Vehicle Management, a division of the Department of General Services - This division is responsible for administering a uniform program for the operation and maintenance of all state vehicles;

Printing, a division of the Department of General Services - This agency operates a printing facility to provide such services as general printing, typesetting and binding for state agencies located in Nashville and has responsibility for the installation and management of state-owned copier machines located in selected state agencies with high volume activity;

Building Management, a division of the Department of General Services -This division is responsible for the maintenance, repair and upkeep of selected state owned buildings located in Chattanooga, Memphis and Jackson;

Communications Management, a division of the Department of General Services - This division is responsible for designing, implementing, and operating a voice, data, and telephone communications system.

Tennessee State School Bond Authority (TSSBA) - Established in 1965, the TSSBA provides a mechanism for financing building projects for the state's universities. Agreements are executed between the governing boards of the institutions and the TSSBA, and revenue bonds are issued using the constructed facilities as collateral. Charges levied by the universities on users of the facilities provide the funds necessary for payment of principal and interest on bonds. Any collections in excess of these requirements are retained by the institutions to cover administrative fees, building maintenance and related costs;

Other - Three smaller internal service agencies are included in this group, as follows:

1. Legislative Services, a division of the Legislative branch - This division collects revenue from the printing and distribution of proposed bills, legislative calendars and other information during the legislative session;

2. Capitol Print Shop, a division of the Office of the Comptroller - This facility is responsible for providing printing, mailing and other office services for the state agencies located in the Capitol;

3. Postal Services, a division of the Department of General Services - This agency processes and distributes incoming, outgoing and interdepartmental mail for state agencies located in Nashville.

STATE OF TENNESSEE
COMBINING BALANCE SHEET
ALL INTERNAL SERVICE FUNDS
JUNE 30, 1987

(Expressed in Thousands)

ASSETS	INFORMATION SYSTEM SERVICES	CLAIMS AWARD	MOTOR VEHICLE MANAGEMENT	GENERAL SERVICES PRINTING
CURRENT ASSETS:				
CASH AND CASH EQUIVALENTS	$ 4,109	$ 27,799	$10,298	$ 1,785
CASH ON DEPOSIT WITH FISCAL AGENT				
ACCOUNTS RECEIVABLE	632		72	
INTERFUND RECEIVABLES (Note 2)			21	
INVENTORIES, at cost	34		87	198
PREPAID EXPENSES	20			
TOTAL CURRENT ASSETS	4,795	27,799	10,478	1,983
OTHER ASSETS:				
INVESTMENTS, at cost				
DEFERRED CHARGES				
ACCOUNTS RECEIVABLE NON-CURRENT	947			
TOTAL OTHER ASSETS	947			
FIXED ASSETS:				
LAND, at cost				
STRUCTURES AND IMPROVEMENTS, at cost			168	
MACHINERY AND EQUIPMENT, at cost	28,599		28,247	2,399
LESS ACCUMULATED DEPRECIATION	(16,224)		(8,456)	(2,010)
TOTAL FIXED ASSETS	12,375		19,959	389
TOTAL ASSETS	$ 18,117	$ 27,799	$30,437	$ 2,372
LIABILITIES AND FUND EQUITY				
LIABILITIES:				
CURRENT LIABILITIES:				
WARRANTS PAYABLE	$ 519	$ 129	$ 104	$ 66
ACCOUNTS PAYABLE AND ACCRUALS:				
ACCOUNTS PAYABLE	1,296	23,214	595	150
ACCRUED PAYROLL AND RELATED DEDUCTIONS	891		78	150
INTERFUND PAYABLES (Note 2)	907		7	10
NOTES PAYABLE (Note 3)	257			
DEFERRED REVENUE				
TOTAL CURRENT LIABILITIES	3,860	23,343	784	376
LONG-TERM DEBT:				
BONDS PAYABLE (Note 3)				
CALL PREMIUMS PAYABLE				
ADVANCE FROM OTHER FUNDS	1,263			
TOTAL LONG-TERM DEBT	1,263			
TOTAL LIABILITIES	5,123	23,343	784	376
FUND EQUITY (Note 2):				
CONTRIBUTED CAPITAL:				
CAPITAL GRANTS			121	
GOVERNMENTS CONTRIBUTION	9,579		15,757	1,286
RETAINED EARNINGS (DEFICIT)	3,415	4,456	13,775	710
TOTAL FUND EQUITY	12,994	4,456	29,653	1,996
TOTAL LIABILITIES AND FUND EQUITY	$ 18,117	$ 27,799	$30,437	$ 2,372

See accompanying Notes to the Financial Statements.

BUILDING MANAGEMENT	COMMUNICATIONS MANAGEMENT	TENNESSEE STATE SCHOOL BOND AUTHORITY	OTHER	TOTALS JUNE 30, 1987	TOTALS JUNE 30, 1986
$ 1,025	$ 2,329	$ 4,153	$ 1,192	$ 52,690	$ 34,586
		1,036		1,036	9,153
			13	717	89
			2	23	2,818
	19		126	464	485
1			12	33	28
1,026	2,348	5,189	1,345	54,963	47,159
		68,958		68,958	
		2,617		2,617	
				947	
		71,575		72,522	
1,491				1,491	1,491
12,110				12,278	12,279
34	5,061		262	64,602	57,054
(3,595)	(1,882)		(152)	(32,319)	(30,506)
10,040	3,179		110	46,052	40,318
$ 11,066	$ 5,527	$ 76,764	$ 1,455	$ 173,537	$ 87,477
$ 53	$ 83	$ 33	$ 44	$ 1,031	$ 1,685
102	240	1,590	80	27,257	33,969
52	46		78	1,295	1,137
4	5		4	937	102
				257	
5	35	574		514	909
216	409	2,197	206	31,391	37,802
		68,577		68,577	
		1,979		1,979	
				1,263	
		70,556		71,819	
216	409	72,753	206	103,210	37,802
				121	121
12,242	5,042		299	44,205	42,215
(1,392)	76	4,011	950	26,001	7,339
10,850	5,118	4,011	1,249	70,327	49,675
$ 11,066	$ 5,527	$ 76,764	$ 1,455	$ 173,537	$ 87,477

STATE OF TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY
ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 1987

(Expressed in Thousands)

	INFORMATION SYSTEM SERVICES	CLAIMS AWARD	MOTOR VEHICLE MANAGEMENT	GENERAL SERVICES PRINTING
OPERATING REVENUES:				
CHARGES FOR SERVICES	$ 24,071	$ 17,708	$11,501	$ 4,213
INTEREST INCOME		1,316		
OTHER	71			
TOTAL OPERATING REVENUES	24,142	19,024	11,501	4,213
OPERATING EXPENSES:				
PERSONAL SERVICES	7,782		798	1,437
CONTRACTUAL SERVICES	3,304		518	757
MATERIALS AND SUPPLIES	1,328		2,466	1,229
RENTALS AND INSURANCE	5,431		147	169
INTEREST				
DEPRECIATION AND AMORTIZATION	3,604		4,130	479
BENEFITS		5,916		
OTHER	44	1,730	173	17
TOTAL OPERATING EXPENSES	21,493	7,646	8,232	4,088
NET INCOME (LOSS)/CHANGE IN RETAINED EARNINGS	2,649	11,378	3,269	125
OTHER CHANGES IN FUND EQUITY:				
CONTRIBUTED FIXED ASSETS	192		1,364	
EQUITY TRANSFER (TO) COLLEGE AND UNIVERSITY FUND			(43)	
EQUITY TRANSFER FROM (TO) GENERAL FUND			479	
NET CHANGE IN FUND EQUITY	2,841	11,378	5,069	125
FUND EQUITY, JULY 1	10,153	(6,922)	24,584	1,871
FUND EQUITY, JUNE 30	$ 12,994	$ 4,456	$29,653	$ 1,996

See accompanying Notes to the Financial Statements.

BUILDING MANAGEMENT	COMMUNICATIONS MANAGEMENT	TENNESSEE STATE SCHOOL BOND AUTHORITY	OTHER	TOTALS FOR THE YEAR ENDED JUNE 30, 1987	JUNE 30, 1986
$ 1,853	$ 3,425		$ 3,967	$ 66,738	$ 54,172
		$ 835		2,151	6,215
				71	34
1,853	3,425	835	3,967	68,960	60,421
446	678		927	12,068	11,393
1,080	415		396	6,470	4,900
34	824		2,252	8,133	8,474
22	39		107	5,915	6,657
					2,908
402	821	290	21	9,747	7,765
				5,916	14,233
12	23		49	2,048	2,105
1,996	2,800	290	3,752	50,297	58,435
(143)	625	545	215	18,663	1,986
				1,556	1,891
				(43)	
			(3)	476	(133)
(143)	625	545	212	20,652	3,744
10,993	4,493	3,466	1,037	49,675	45,931
$ 10,850	$ 5,118	$ 4,011	$ 1,249	$ 70,327	$ 49,675

STATE OF TENNESSEE
COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION
ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 1987

(Expressed in Thousands)

	INFORMATION SYSTEM SERVICES	CLAIMS AWARD	MOTOR VEHICLE MANAGEMENT	GENERAL SERVICES PRINTING
SOURCES OF WORKING CAPITAL:				
OPERATIONS:				
NET INCOME (LOSS)	$ 2,649	$ 11,378	$ 3,269	$ 125
ITEMS NOT REQUIRING WORKING CAPITAL - DEPRECIATION AND AMORTIZATION	3,604		4,130	479
WORKING CAPITAL PROVIDED BY OPERATIONS	6,253	11,378	7,399	604
SALE OF LONG-TERM INVESTMENTS				
DISPOSAL OF MACHINERY AND EQUIPMENT	17		1,439	
EQUITY TRANSFERS FROM GENERAL FUND			479	
EQUITY TRANSFERS FROM INTERNAL SERVICE FUNDS				
DECREASE IN DEFERRED CHARGES				
INCREASE IN CALL PREMIUM PAYABLE				
INCREASE IN LONG-TERM DEBT				
INCREASE IN ADVANCE FROM OTHER FUNDS	1,263			
TOTAL SOURCES OF WORKING CAPITAL	7,533	11,378	9,317	604
USES OF WORKING CAPITAL:				
PURCHASE OF LONG-TERM INVESTMENTS				
ACQUISITION OF FIXED ASSETS	7,071		6,640	29
INCREASE IN DEFERRED CHARGES				
EQUITY TRANSFER TO GENERAL FUND				
EQUITY TRANSFER TO INTERNAL SERVICE FUNDS				
EQUITY TRANSFER TO COLLEGE AND UNIVERSITY FUND			43	
DECREASE IN LONG-TERM DEBT				
INCREASE IN LONG-TERM RECEIVABLE	947			
TOTAL USES OF WORKING CAPITAL	8,018		6,683	29
NET CHANGE IN WORKING CAPITAL	$ (485)	$ 11,378	$ 2,634	$ 575
ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL:				
CASH AND CASH EQUIVALENTS	$ 498	$ 14,229	$ 1,846	$ 422
CASH ON DEPOSIT WITH FISCAL AGENT				
ACCOUNTS RECEIVABLE	630		(9)	(1)
INTERFUND RECEIVABLES		(2,716)	(75)	
INVENTORIES	34		(6)	(14)
PREPAID EXPENSES	4			
WARRANTS PAYABLE	(269)	153	406	54
ACCOUNTS PAYABLE AND ACCRUALS	(280)	(288)	462	112
INTERFUND PAYABLES	(845)		10	2
NOTES PAYABLE	(257)			
DEFERRED REVENUE				
NET CHANGE IN WORKING CAPITAL	$ (485)	$ 11,378	$ 2,634	$ 575

See accompanying Notes to the Financial Statements.

BUILDING MANAGEMENT	COMMUNICATIONS MANAGEMENT	TENNESSEE STATE SCHOOL BOND AUTHORITY	OTHER	TOTALS FOR THE YEAR ENDED JUNE 30, 1987	JUNE 30, 1986
$ (143)	$ 625	$ 545	$ 215	$ 18,663	$ 1,986
402	821	290	21	9,747	7,765
259	1,446	835	236	28,410	9,751
					52,574
2			7	1,465	1,052
				479	
					46
					237
		1,979		1,979	
		68,547		68,547	
				1,263	
261	1,446	71,361	243	102,143	63,660
		68,958		68,958	
9	1,326		25	15,100	14,878
		2,877		2,877	
			3	3	133
					46
				43	
					53,999
				947	
9	1,326	71,835	28	87,928	69,056
$ 252	$ 120	$ (474)	$ 215	$ 14,215	$ (5,396)
$ 283	$ 175	$ 360	$ 291	$ 18,104	$ 2,478
		(8,117)		(8,117)	8,332
(1)	(1)		10	628	81
(6)			2	(2,795)	2,733
	19		(54)	(21)	151
1				5	(6)
8	(55)	345	12	654	(1,232)
(32)	18	6,608	(46)	6,554	(17,772)
(1)	(1)			(835)	(23)
				(257)	
	(35)	330		295	(138)
$ 252	$ 120	$ (474)	$ 215	$ 14,215	$ (5,396)

STATE OF TENNESSEE
COMBINING BALANCE SHEET
OTHER INTERNAL SERVICE FUNDS
JUNE 30, 1987

(Expressed in Thousands)

ASSETS	LEGISLATIVE SERVICES	CAPITOL PRINT SHOP	POSTAL SERVICES	TOTALS JUNE 30, 1987	TOTALS JUNE 30, 1986
CURRENT ASSETS:					
CASH AND CASH EQUIVALENTS	$ 193	$ 438	$ 561	$ 1,192	$ 901
ACCOUNTS RECEIVABLE	11		2	13	3
INTERFUND RECEIVABLES (Note 2)	2			2	
INVENTORIES, at cost		39	87	126	180
PREPAID EXPENSES		9	3	12	12
TOTAL CURRENT ASSETS	206	486	653	1,345	1,096
FIXED ASSETS:					
MACHINERY AND EQUIPMENT, at cost		216	46	262	254
LESS ACCUMULATED DEPRECIATION		(127)	(25)	(152)	(141)
TOTAL FIXED ASSETS		89	21	110	113
TOTAL ASSETS	$ 206	$ 575	$ 674	$ 1,455	$1,209
LIABILITIES AND FUND EQUITY					
LIABILITIES:					
CURRENT LIABILITIES:					
WARRANTS PAYABLE	$ 1	$ 21	$ 22	$ 44	$ 56
ACCOUNTS PAYABLE AND ACCRUALS:					
ACCOUNTS PAYABLE		31	49	80	43
ACCRUED PAYROLL AND RELATED DEDUCTIONS		15	63	78	69
INTERFUND PAYABLES (Note 2)			4	4	4
TOTAL LIABILITIES	1	67	138	206	172
FUND EQUITY:					
CONTRIBUTED CAPITAL	86	188	25	299	300
RETAINED EARNINGS	119	320	511	950	737
TOTAL FUND EQUITY	205	508	536	1,249	1,037
TOTAL LIABILITIES AND FUND EQUITY	$ 206	$ 575	$ 674	$ 1,455	$1,209

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY
OTHER INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 1987

(Expressed in Thousands)

	LEGISLATIVE SERVICES	CAPITOL PRINT SHOP	POSTAL SERVICES	TOTALS FOR THE YEAR ENDED JUNE 30, 1987	TOTALS FOR THE YEAR ENDED JUNE 30, 1986
OPERATING REVENUES:					
CHARGES FOR SERVICES	$ 139	$ 795	$ 3,033	$ 3,967	$ 3,522
TOTAL OPERATING REVENUES	139	795	3,033	3,967	3,522
OPERATING EXPENSES:					
PERSONAL SERVICES	21	322	584	927	801
CONTRACTUAL SERVICES	79	171	146	396	363
MATERIALS AND SUPPLIES		183	2,069	2,252	2,083
RENTALS AND INSURANCE	1	3	103	107	25
DEPRECIATION AND AMORTIZATION		17	4	21	20
OTHER		6	43	49	74
TOTAL OPERATING EXPENSES	101	702	2,949	3,752	3,366
NET INCOME/CHANGE IN RETAINED EARNINGS	38	93	84	215	156
OTHER CHANGES IN FUND EQUITY					
EQUITY TRANSFER TO GENERAL FUND	(3)			(3)	(39)
NET CHANGE IN FUND EQUITY	35	93	84	212	117
FUND EQUITY, JULY 1	170	415	452	1,037	920
FUND EQUITY, JUNE 30	$ 205	$ 508	$ 536	$ 1,249	$ 1,037

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION
OTHER INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 1987

(Expressed in Thousands)

	LEGISLATIVE SERVICES	CAPITOL PRINT SHOP	POSTAL SERVICES	TOTALS FOR THE YEAR ENDED JUNE 30, 1987	TOTALS FOR THE YEAR ENDED JUNE 30, 1986
SOURCES OF WORKING CAPITAL:					
OPERATIONS:					
NET INCOME	$ 38	$ 93	$ 84	$ 215	$ 156
ITEMS NOT REQUIRING WORKING CAPITAL -					
DEPRECIATION AND AMORTIZATION		17	4	21	20
WORKING CAPITAL PROVIDED BY OPERATIONS	38	110	88	236	176
DISPOSAL OF MACHINERY AND EQUIPMENT		6	1	7	11
TOTAL SOURCES OF WORKING CAPITAL	38	116	89	243	187
USES OF WORKING CAPITAL:					
ACQUISITION OF MACHINERY AND EQUIPMENT		25		25	17
EQUITY TRANSFER (TO) GENERAL FUND	3			3	39
TOTAL USES OF WORKING CAPITAL	3	25		28	56
NET CHANGE IN WORKING CAPITAL	$ 35	$ 91	$ 89	$ 215	$ 131
ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL:					
CASH AND CASH EQUIVALENTS	$ 21	$ 86	$ 184	$ 291	$ 47
ACCOUNTS RECEIVABLE	11		(1)	10	1
INTERFUND RECEIVABLES	2			2	(1)
INVENTORIES		1	(55)	(54)	119
PREPAID EXPENSES		8	(8)		(11)
WARRANTS PAYABLE		3	9	12	(2)
ACCOUNTS PAYABLE AND ACCRUALS	1	(7)	(40)	(46)	(21)
INTERFUND PAYABLES					(1)
NET CHANGE IN WORKING CAPITAL	$ 35	$ 91	$ 89	$ 215	$ 131

See accompanying Notes to the Financial Statements.

Trust And Agency Funds

The Trust and Agency Funds are used to account for assets held by the state in a fiduciary capacity. Trust funds include the Employment Security Fund, Employee Group Insurance Fund, the Local Government Investment Fund, the Teacher Group Insurance Fund, the Community Development Fund, the Student Assistance Corporation Fund, the Board of Equalization Loan Fund, the Chairs of Excellence Fund and the Pension Trust Fund. The Local Government Fund, the Contingent Revenue Fund, the Deferred Compensation Fund and the Bond Refunding Fund are agency funds.

Expendable Trust Funds:

Employment Security Fund - This fund is maintained to account for the collection of unemployment insurance premiums from employers and the payment of unemployment benefits to eligible claimants. Funds are also received from the federal government for local office building construction, supplemental unemployment programs and work incentive payments. As required by law, all funds not necessary for current benefit payments are placed on deposit with the U. S. Treasury. Interest earned from these moneys is retained in the fund. Administrative and operational expenses incurred by the Department of Employment Security are expenditures of the General Fund.

Employee Group Insurance Fund - Established in January 1978, this fund is used to account for transactions pertaining to the state's self-insured group medical plan. Prior to 1978 medical insurance was provided by a private carrier. Group life and accident insurance premiums paid to a private insurance company are also recorded in this fund.

Local Government Investment Fund - This fund was created in July 1980 to account for local government deposits with the state treasurer and the related interest earnings. Through this program the participating local governments achieve higher investment income by pooling their funds than they could realize individually.

Teacher Group Insurance Fund - Established in January 1986, this fund is used to account for revenues received and claims paid on behalf of teachers of political subdivisions of the state who have elected coverage under a group medical plan similar to that offered state employees.

Community Development Fund - This fund is used to account for the monies held in trust for the federal government under the Community Development Block Grant program. When the loans are repaid the monies revert to the U. S. Treasury.

Nonexpendable Trust Funds:

Student Assistance Corporation Fund - This fund is used to account for the operations of the Tennessee Student Assistance Corporation (TSAC), a nonprofit organization created to administer loan and grant programs to students attending higher education institutions. TSAC was established in 1974 to (1) guarantee loans made to eligible students, (2) administer state awards of financial assistance to eligible students, and (3) administer the nursing and medical loan scholarship programs.

Board of Equalization Loan Fund - This fund was created in 1963 to account for state loans to city and county governments for a program of assessment, reassessment or equalization of property taxes. In 1967 the program was expanded to also enable grants to be made for these purposes. Cash in the fund not needed for loans or grants may be transferred to other state activities by legislative act.

Chairs of Excellence Fund - This fund was created by the General Assembly in 1986. Its purpose is to endow faculty chairs at the State Board of Regents and University of Tennessee campuses in order to attract more highly qualified professors. For a chair to be established, private contributions which a school collects are matched by monies the state has appropriated to fund this program. The chair also receives the interest earned from investment of these matched monies.

Pension Trust Fund:

The Tennessee Consolidated Retirement System was established in July 1972 superseding seven former retirement systems. The accounts of each superseded system were transferred to the new system wherein separate accounting is maintained for assets and liabilities attributable to the various classes of members and beneficiaries. Benefits under the system are funded by contributions of members and employers. Effective July 1981 contributions of up to 5% of the earnable compensation of most classes of state employees, formerly paid by those employees, were assumed by the state pursuant to non-contributory legislation. The level of contributions is determined by actuarial valuation, the latest having been performed as of June 30, 1987. As of that date there were 147,530 active members and 48,169 retired members representing a 5% and 4% increase, respectively, since the previous actuarial valuation in 1986.

Agency Funds:

Local Government Fund - The purpose of the Local Government Fund is to serve as a clearing mechanism for state-shared taxes and other funds distributed to the various counties and cities of the state.

Contingent Revenue Fund - This fund is used to account for unearned federal revenues, refundable deposits and other receipts held in trust until the state has the right to transfer them to operating funds or until there is proper authorization to disburse them directly to others.

Deferred Compensation Fund - This fund is used to report the market value of investments accumulated in the state's IRC Section 457 deferred compensation plan.

Bond Refunding Fund - This fund is used to account for the refunding bond issue for the Local Development Authority for which the State Treasurer is the trustee.

STATE OF TENNESSEE
COMBINING BALANCE SHEET
ALL TRUST AND AGENCY FUNDS
JUNE 30, 1987

(Expressed in Thousands)

ASSETS	EXPENDABLE TRUST	NONEXPENDABLE TRUST	PENSION TRUST	AGENCY	TOTALS JUNE 30, 1987	TOTALS JUNE 30, 1986
CASH AND CASH EQUIVALENTS	$ 371,132	$ 35,237	$ 808,666	$ 222,036	**$ 1,437,071**	$ 958,212
CASH ON DEPOSIT WITH FISCAL AGENT	470,023				**470,023**	403,483
INVESTMENTS (Note 1)		53,844	4,782,391	76,148	**4,912,383**	4,233,159
RECEIVABLES:						
INTEREST AND DIVIDENDS		1,118	58,597		**59,715**	58,103
DUE FROM OTHER GOVERNMENTS	16,387	7,056	11,709	400	**35,552**	42,088
NOTES RECEIVABLE		2,022			**2,022**	2,347
OTHER, net of allowance for uncollectibles of $13,779 in 1987 and $12,779 in 1986 (Note 1)	61,666	56	50,576	1,389	**113,687**	99,812
INTERFUND RECEIVABLES (Note 2)	93	1,479	9,847	4,060	**15,479**	12,383
MACHINERY AND EQUIPMENT, at cost		8			**8**	8
LESS ACCUMULATED DEPRECIATION		(5)			**(5)**	(4)
TOTAL ASSETS	$ 919,301	$ 100,815	$ 5,721,786	$ 304,033	**$ 7,045,935**	$ 5,809,591
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
WARRANTS PAYABLE	$ 6,174	$ 523	$ 375	$ 8,608	**$ 15,680**	$ 12,451
ACCOUNTS PAYABLE AND ACCRUALS	22,121	1,220	108,621	112,143	**244,105**	236,935
INTERFUND PAYABLES (Note 2)	59,408	1,483			**60,891**	25,757
DEFERRED REVENUE	8,187	535			**8,722**	7,262
MEMBERS DEPOSITS	268,527				**268,527**	144,341
OBLIGATIONS UNDER REVERSE REPURCHASE AGREEMENTS						10,015
AMOUNTS HELD IN CUSTODY FOR OTHERS				183,282	**183,282**	118,029
ADVANCES FROM FEDERAL GOVERNMENT	17,219	1,546			**18,765**	11,111
TOTAL LIABILITIES	381,636	5,307	108,996	304,033	**799,972**	565,901
FUND BALANCES:						
CONTRIBUTED CAPITAL		48,648			**48,648**	31,389
CONTRIBUTED CAPITAL FROM PRIVATE SOURCES		18,510			**18,510**	8,188
RESERVED FOR PENSION BENEFITS			5,612,790		**5,612,790**	4,709,933
RESERVED FOR CHAIRS OF EXCELLENCE		7,880			**7,880**	3,711
RESERVED FOR UNEMPLOYMENT COMPENSATION BENEFITS	525,062				**525,062**	455,390
RESERVED FOR GUARANTEED STUDENT LOANS		16,618			**16,618**	13,731
RESERVED FOR SCHOLARSHIPS AND TEACHER LOANS		2,178			**2,178**	
UNRESERVED	12,603	1,674			**14,277**	21,348
TOTAL FUND BALANCES	537,665	95,508	5,612,790		**6,245,963**	5,243,690
TOTAL LIABILITIES AND FUND BALANCES	$ 919,301	$ 100,815	$ 5,721,786	$ 304,033	**$ 7,045,935**	$ 5,809,591

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINING BALANCE SHEET
EXPENDABLE TRUST FUNDS
JUNE 30, 1987

(Expressed in Thousands)

ASSETS	EMPLOYMENT SECURITY	EMPLOYEE GROUP INSURANCE	LOCAL GOVERNMENT INVESTMENT	TEACHER GROUP INSURANCE	COMMUNITY DEVELOPMENT	TOTALS JUNE 30, 1987	TOTALS JUNE 30, 1986
CASH AND CASH EQUIVALENTS	$ 1,199	$ 35,239	$328,432	$ 5,430	$ 832	$ 371,132	$ 211,400
CASH ON DEPOSIT WITH FISCAL AGENT	470,023					470,023	403,483
RECEIVABLES:							
DUE FROM OTHER GOVERNMENTS					16,387	16,387	9,720
OTHER, net of allowance for uncollectibles of $13,779 in 1987 and $12,779 in 1986 (Note 1)	61,519	90		57		61,666	59,020
INTERFUND RECEIVABLES (Note 2)	93					93	77
TOTAL ASSETS	$ 532,834	$ 35,329	$328,432	$ 5,487	$17,219	$ 919,301	$ 683,700
LIABILITIES AND FUND BALANCES							
LIABILITIES:							
WARRANTS PAYABLE	$ 3,215	$ 2,792		$ 167		$ 6,174	$ 5,407
ACCOUNTS PAYABLE AND ACCRUALS	2,009	18,187		1,925		22,121	17,386
INTERFUND PAYABLES (Note 2)			$ 59,408			59,408	25,602
DEFERRED REVENUE	2,548	4,440		1,199		8,187	7,195
MEMBERS DEPOSITS			268,527			268,527	144,341
ADVANCES FROM FEDERAL GOVERNMENT					$17,219	17,219	9,762
TOTAL LIABILITIES	7,772	25,419	327,935	3,291	17,219	381,636	209,693
FUND BALANCES:							
RESERVED FOR UNEMPLOYMENT COMPENSATION BENEFITS	525,062					525,062	455,390
UNRESERVED		9,910	497	2,196		12,603	18,617
TOTAL FUND BALANCES	525,062	9,910	497	2,196		537,665	474,007
TOTAL LIABILITIES AND FUND BALANCES	$ 532,834	$ 35,329	$328,432	$ 5,487	$17,219	$ 919,301	$ 683,700

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1987

(Expressed in Thousands)

	EMPLOYMENT SECURITY	EMPLOYEE GROUP INSURANCE	LOCAL GOVERNMENT INVESTMENT	TEACHER GROUP INSURANCE	TOTALS FOR THE YEAR ENDED JUNE 30, 1987	TOTALS FOR THE YEAR ENDED JUNE 30, 1986
REVENUES:						
EMPLOYER PREMIUMS	$ 198,332				$ 198,332	$ 196,770
MEMBER CONTRIBUTIONS		$ 25,085		$ 7,274	32,359	30,015
STATE CONTRIBUTIONS		64,865		4,379	69,244	63,421
INTEREST INCOME	40,281	2,172	$ 19,944	238	62,635	49,176
FEDERAL	11,043				11,043	14,394
OTHER	135	24			159	112
TOTAL REVENUES	249,791	92,146	19,944	11,891	373,772	353,888
EXPENDITURES:						
BENEFITS	180,119	77,031		11,441	268,591	270,529
INSURANCE PREMIUMS		17,033			17,033	14,853
INTEREST ON DEPOSITS			19,466		19,466	9,826
ADMINISTRATIVE FEES		4,509	146	369	5,024	2,529
TOTAL EXPENDITURES	180,119	98,573	19,612	11,810	310,114	297,737
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	69,672	(6,427)	332	81	63,658	56,151
FUND BALANCES, JULY 1	455,390	16,337	165	2,115	474,007	417,856
FUND BALANCES, JUNE 30	$ 525,062	$ 9,910	$ 497	$ 2,196	$ 537,665	$ 474,007

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINING BALANCE SHEET
NONEXPENDABLE AND PENSION TRUST FUNDS
JUNE 30, 1987

(Expressed in Thousands)

ASSETS	NONEXPENDABLE TRUST: STUDENT ASSISTANCE CORPORATION	BOARD OF EQUALIZATION LOAN	CHAIRS OF EXCELLENCE	SUB-TOTAL	PENSION TRUST	TOTALS: JUNE 30, 1987	JUNE 30, 1986
CURRENT ASSETS:							
CASH AND CASH EQUIVALENTS	$ 15,115	$ 7,527	$ 12,595	$ 35,237	$ 808,666	$ 843,903	$ 535,740
INVESTMENTS, at cost or amortized cost							10,015
RECEIVABLES:							
INTEREST AND DIVIDENDS	262		856	1,118	58,597	59,715	58,103
DUE FROM OTHER GOVERNMENTS	3,111	3,945		7,056	11,709	18,765	21,804
NOTES RECEIVABLE	2,022			2,022		2,022	2,347
OTHER	56			56	50,576	50,632	40,792
INTERFUND RECEIVABLES (Note 2)	1,479			1,479	9,847	11,326	2,857
TOTAL CURRENT ASSETS	22,045	11,472	13,451	46,968	939,395	986,363	671,658
OTHER ASSETS:							
LONG-TERM INVESTMENTS, at cost or amortized cost			53,844	53,844	4,782,391	4,836,235	4,197,120
MACHINERY AND EQUIPMENT, at cost	8			8		8	8
LESS ACCUMULATED DEPRECIATION	(5)			(5)		(5)	(4)
TOTAL FIXED ASSETS	3			3		3	4
TOTAL ASSETS	$ 22,048	$ 11,472	$ 67,295	$100,815	$5,721,786	$ 5,822,601	$ 4,868,782
LIABILITIES AND FUND BALANCES							
LIABILITIES:							
WARRANTS PAYABLE	$ 504	$ 19		$ 523	$ 375	$ 898	$ 1,259
ACCOUNTS PAYABLE AND ACCRUALS	656	564		1,220	108,621	109,841	86,254
INTERFUND PAYABLES (Note 2)	4		$ 1,479	1,483		1,483	155
DEFERRED REVENUE	535			535		535	67
OBLIGATIONS UNDER REVERSE REPURCHASE AGREEMENTS							10,015
ADVANCE FROM FEDERAL GOVERNMENT	1,546			1,546		1,546	1,349
TOTAL LIABILITIES	3,245	583	1,479	5,307	108,996	114,303	99,099
FUND BALANCES							
CONTRIBUTED CAPITAL		9,222	39,426	48,648		48,648	31,389
CONTRIBUTED CAPITAL FROM PRIVATE SOURCES			18,510	18,510		18,510	8,188
RESERVED FOR PENSION BENEFITS					5,612,790	5,612,790	4,709,933
RESERVED FOR CHAIRS OF EXCELLENCE			7,880	7,880		7,880	3,711
RESERVED FOR GUARANTEED STUDENT LOANS	16,618			16,618		16,618	13,731
RESERVED FOR SCHOLARSHIPS AND TEACHER LOANS	2,178			2,178		2,178	
UNRESERVED	7	1,667		1,674		1,674	2,731
TOTAL FUND BALANCES	18,803	10,889	65,816	95,508	5,612,790	5,708,298	4,769,683
TOTAL LIABILITIES AND FUND BALANCES	$ 22,048	$ 11,472	$ 67,295	$100,815	$5,721,786	$ 5,822,601	$ 4,868,782

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
NONEXPENDABLE AND PENSION TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1987

(Expressed in Thousands)

	NONEXPENDABLE TRUST					TOTALS FOR THE YEAR ENDED	
	STUDENT ASSISTANCE CORPORATION	BOARD OF EQUALIZATION LOAN	CHAIRS OF EXCELLENCE	SUB-TOTAL	PENSION TRUST	JUNE 30, 1987	JUNE 30, 1986
OPERATING REVENUES:							
MEMBER CONTRIBUTIONS					$ 78,730	$ 78,730	$ 71,692
STATE CONTRIBUTIONS					342,341	342,341	323,050
POLITICAL SUBDIVISION CONTRIBUTIONS					29,168	29,168	39,947
INTEREST INCOME	$ 1,314	$ 114		$ 1,428	219,323	220,751	222,829
DIVIDEND INCOME					63,360	63,360	51,431
NET INCOME FROM INVESTMENT TRANSACTIONS			$ 4,989	4,989	368,540	373,529	229,565
DISCOUNT AMORTIZATION					75,440	75,440	64,689
OTHER	2,702			2,702		2,702	2,480
TOTAL OPERATING REVENUES	4,016	114	4,989	9,119	1,176,902	1,186,021	1,005,683
OPERATING EXPENSES:							
PAYMENTS TO TIAA-CREF					22,994	22,994	20,118
BENEFITS					229,300	229,300	204,645
DEPRECIATION AND AMORTIZATION	1			1		1	
REFUNDS					21,751	21,751	21,302
AWARDS			736	736		736	270
LOAN CANCELLATIONS	144			144		144	154
ADMINISTRATIVE FEES	2,394		85	2,479		2,479	1,898
TOTAL OPERATING EXPENSES	2,539		821	3,360	274,045	277,405	248,387
OPERATING INCOME	1,477	114	4,168	5,759	902,857	908,616	757,296
NONOPERATING REVENUES (EXPENSES):							
OPERATING GRANTS	2,062			2,062		2,062	1,463
GRANT EXPENSE	(10,826)	(917)		(11,743)		(11,743)	(10,532)
TOTAL NONOPERATING (EXPENSES)	(8,764)	(917)		(9,681)		(9,681)	(9,069)
INCOME (LOSS) BEFORE OPERATING TRANSFER	(7,287)	(803)	4,168	(3,922)	902,857	898,935	748,227
OPERATING TRANSFER FROM GENERAL FUND	11,181			11,181		11,181	14,708
NET INCOME (LOSS)	3,894	(803)	4,168	7,259	902,857	910,116	762,935
OTHER CHANGES IN FUND EQUITY:							
EQUITY TRANSFER FROM GENERAL FUND			15,000	15,000		15,000	10,000
EQUITY TRANSFER FROM COLLEGE AND UNIVERSITY FUNDS			3,176	3,176		3,176	625
CONTRIBUTIONS FROM PRIVATE SOURCES			10,323	10,323		10,323	4,563
NET CHANGE IN FUND EQUITY	3,894	(803)	32,667	35,758	902,857	938,615	778,123
FUND BALANCES, JULY 1	14,909	11,692	33,149	59,750	4,709,933	4,769,683	3,991,560
FUND BALANCES, JUNE 30	$ 18,803	$ 10,889	$ 65,816	$ 95,508	$5,612,790	$ 5,708,298	$ 4,769,683

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION
NONEXPENDABLE AND PENSION TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1987

(Expressed in Thousands)

	NONEXPENDABLE TRUST						
	STUDENT ASSISTANCE CORPORATION	BOARD OF EQUALIZATION LOAN	CHAIRS OF EXCELLENCE	SUB-TOTAL	PENSION TRUST	TOTALS FOR THE YEAR ENDED JUNE 30, 1987	TOTALS FOR THE YEAR ENDED JUNE 30, 1986
SOURCES OF WORKING CAPITAL:							
OPERATIONS:							
NET INCOME (LOSS)	$ 3,894	$ (803)	$ 4,168	$ 7,259	$ 902,857	$ 910,116	$ 762,935
ITEMS NOT PROVIDING WORKING CAPITAL - DISCOUNT AMORTIZATION					(75,440)	(75,440)	(64,689)
DEPRECIATION AND AMORTIZATION	1			1		1	
WORKING CAPITAL PROVIDED BY OPERATIONS	3,895	(803)	4,168	7,260	827,417	834,677	698,246
EQUITY TRANSFER FROM GENERAL FUND			15,000	15,000		15,000	10,000
EQUITY TRANSFER FROM COLLEGE AND UNIVERSITY FUNDS			3,176	3,176		3,176	625
CONTRIBUTIONS FROM PRIVATE SOURCES			10,323	10,323		10,323	4,563
TOTAL SOURCES OF WORKING CAPITAL	3,895	(803)	32,667	35,759	827,417	863,176	713,434
USES OF WORKING CAPITAL:							
PURCHASE OF LONG-TERM INVESTMENTS			24,424	24,424	539,251	563,675	623,112
NET CHANGE IN WORKING CAPITAL	$ 3,895	$ (803)	$ 8,243	$ 11,335	$ 288,166	$ 299,501	$ 90,322
ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL:							
CASH	$ 1,757	$ (2,512)	$ 9,260	$ 8,505	$ 299,658	$ 308,163	$ 117,530
INVESTMENTS					(10,015)	(10,015)	(33,020)
RECEIVABLES	1,312	883	416	2,611	5,477	8,088	29,301
INTERFUND RECEIVABLES	1,479			1,479	6,990	8,469	(5,456)
WARRANTS PAYABLE	128	(19)		109	252	361	28
ACCOUNTS PAYABLE AND ACCRUALS	(221)	845		624	(24,211)	(23,587)	(50,861)
INTERFUND PAYABLES	105		(1,433)	(1,328)		(1,328)	(151)
DEFERRED REVENUE	(468)			(468)		(468)	(67)
OBLIGATIONS UNDER REVERSE REPURCHASE AGREEMENTS					10,015	10,015	33,020
ADVANCE FROM FEDERAL GOVERNMENT	(197)			(197)		(197)	
NET CHANGE IN WORKING CAPITAL	$ 3,895	$ (803)	$ 8,243	$ 11,335	$ 288,166	$ 299,501	$ 90,322

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINING BALANCE SHEET
AGENCY FUNDS
JUNE 30, 1987

(Expressed in Thousands)

ASSETS	LOCAL GOVERNMENT	CONTINGENT REVENUE	DEFERRED COMPENSATION (Note 4)	BOND REFUNDING (Note 3)	TOTALS JUNE 30, 1987	TOTALS JUNE 30, [illegible]
CASH AND CASH EQUIVALENTS	$105,832	$ 116,178		$ 26	$ 222,036	$ 211,072
INVESTMENTS			$ 32,053	44,095	76,148	26,024
DUE FROM OTHER GOVERNMENTS		400			400	10,564
ACCOUNTS RECEIVABLE				1,389	1,389	
INTERFUND RECEIVABLES (Note 2)		3,899	161		4,060	9,449
TOTAL ASSETS	$105,832	$ 120,477	$ 32,214	$ 45,510	$ 304,033	$ 257,109
LIABILITIES						
LIABILITIES:						
WARRANTS PAYABLE	$ 455	$ 8,153			$ 8,608	$ 5,785
ACCOUNTS PAYABLE AND ACCRUALS	105,377	6,766			112,143	133,295
AMOUNTS HELD IN CUSTODY FOR OTHERS		105,558	$ 32,214	$ 45,510	183,282	118,029
TOTAL LIABILITIES	$105,832	$ 120,477	$ 32,214	$ 45,510	$ 304,033	$ 257,109

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 1987

(Expressed in Thousands)

LOCAL GOVERNMENT FUND	BALANCE JULY 1, 1986	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 1987
ASSETS				
CASH AND CASH EQUIVALENTS	$ 98,602	$ 992,195	$ 984,965	$ 105,832
LIABILITIES				
WARRANTS PAYABLE	$ 566	$ 976,329	$ 976,440	$ 455
ACCOUNTS PAYABLE AND ACCRUALS	98,036	992,195	984,854	105,377
TOTAL LIABILITIES	$ 98,602	$ 1,968,524	$ 1,961,294	$ 105,832
CONTINGENT REVENUE FUND				
ASSETS				
CASH AND CASH EQUIVALENTS	$ 112,470	$ 1,918,628	$ 1,914,920	$ 116,178
DUE FROM OTHER GOVERNMENTS	10,564	400	10,564	400
INTERFUND RECEIVABLES (Note 2)	9,321	3,899	9,321	3,899
TOTAL ASSETS	$ 132,355	$ 1,922,927	$ 1,934,805	$ 120,477
LIABILITIES				
WARRANTS PAYABLE	$ 5,219	$ 109,485	$ 106,551	$ 8,153
ACCOUNTS PAYABLE AND ACCRUALS	35,259	395,446	423,939	6,766
AMOUNTS HELD IN CUSTODY FOR OTHERS	91,877	1,462,985	1,449,304	105,558
TOTAL LIABILITIES	$ 132,355	$ 1,967,916	$ 1,979,794	$ 120,477
DEFERRED COMPENSATION FUND				
ASSETS				
INVESTMENTS	$ 26,024	$ 7,302	$ 1,272	$ 32,053
INTERFUND RECEIVABLE	128	161	128	161
TOTAL ASSETS	$ 26,152	$ 7,463	$ 1,401	$ 32,214
LIABILITIES				
AMOUNTS HELD IN CUSTODY FOR OTHERS	$ 26,152	$ 7,463	$ 1,401	$ 32,214
BOND REFUNDING				
ASSETS				
CASH AND CASH EQUIVALENTS		$ 26		$ 26
INVESTMENTS		44,095		44,095
ACCOUNTS RECEIVABLE		1,389		1,389
TOTAL ASSETS		$ 45,510		$ 45,510
LIABILITIES				
AMOUNTS HELD IN CUSTODY FOR OTHERS		$ 45,510		$ 45,510
TOTAL LIABILITIES		$ 45,510		$ 45,510
TOTALS-ALL AGENCY FUNDS				
ASSETS				
CASH AND CASH EQUIVALENTS	$ 211,072	$ 2,910,849	$ 2,899,885	$ 222,036
INVESTMENTS	26,024	51,397	1,273	76,148
DUE FROM OTHER GOVERNMENTS	10,564	400	10,564	400
ACCOUNTS RECEIVABLE		1,389		1,389
INTERFUND RECEIVABLES (Note 2)	9,449	4,060	9,449	4,060
TOTAL ASSETS	$ 257,109	$ 2,968,095	$ 2,921,171	$ 304,033
LIABILITIES				
WARRANTS PAYABLE	$ 5,785	$ 1,085,814	$ 1,082,991	$ 8,608
ACCOUNTS PAYABLE AND ACCRUALS	143,295	1,387,641	1,408,793	112,143
AMOUNTS HELD IN CUSTODY FOR OTHERS	118,029	1,515,958	1,450,705	183,282
TOTAL LIABILITIES	$ 257,109	$ 3,989,413	$ 3,942,489	$ 304,033

See accompanying Notes to the Financial Statements.

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General Fixed Assets Account Group

The General Fixed Assets Account Group is maintained to account for fixed assets acquired for general governmental purposes. These include all fixed assets except those of the Enterprise, Internal Service, Nonexpendable Trust and College and University Funds.

STATE OF TENNESSEE
STATEMENT OF GENERAL FIXED ASSETS BY SOURCE
JUNE 30, 1987

(Expressed in Thousands)

GENERAL FIXED ASSETS:	
LAND	$ 74,080
STRUCTURES AND IMPROVEMENTS	662,501
MACHINERY AND EQUIPMENT	175,269
CONSTRUCTION IN PROGRESS	15,008
TOTAL GENERAL FIXED ASSETS	$ 926,858
INVESTMENT IN GENERAL FIXED ASSETS FROM:	
CAPITAL PROJECTS FUND:	
STATE APPROPRIATIONS	$ 46,872
GENERAL OBLIGATION BONDS	60,871
FEDERAL GRANTS	17,269
LOCAL GRANTS	2,115
OTHER	263
GENERAL FUND REVENUES	61,424
SPECIAL REVENUE FUNDS REVENUES	32,389
DONATIONS	4,708
OTHER	85
FIXED ASSETS ACQUIRED PRIOR TO JULY 1, 1984	700,862
TOTAL INVESTMENT IN GENERAL FIXED ASSETS	$ 926,858

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
SCHEDULE OF GENERAL FIXED ASSETS BY FUNCTION AND ACTIVITY
JUNE 30, 1987

(Expressed in Thousands)

FUNCTION AND ACTIVITY	LAND	STRUCTURES AND IMPROVEMENTS	MACHINERY AND EQUIPMENT	TOTAL
GENERAL GOVERNMENT:				
LEGISLATIVE			$ 682	$ 682
CONSTITUTIONAL OFFICES			1,757	1,757
ADMINISTRATION	$ 17,475	$ 153,521	4,047	175,043
REVENUE	2	263	2,166	2,431
TOTAL GENERAL GOVERNMENT	17,477	153,784	8,652	179,913
EDUCATION	744	60,965	10,279	71,988
HEALTH AND SOCIAL SERVICES:				
VETERANS AFFAIRS			8	8
EMPLOYMENT SECURITY	594	3,394	6,418	10,406
LABOR			871	871
MENTAL HEALTH AND MENTAL RETARDATION	2,473	125,947	9,732	138,152
HEALTH AND ENVIRONMENT	352	25,468	8,217	34,037
HUMAN SERVICES	186	6,381	7,264	13,831
TOTAL HEALTH AND SOCIAL SERVICES	3,605	161,190	32,510	197,305
LAW, JUSTICE AND PUBLIC SAFETY:				
JUDICIAL	250		2,470	2,720
CORRECTION	1,523	108,877	11,090	121,490
MILITARY	1,930	45,577	1,724	49,231
BUREAU OF CRIMINAL INVESTIGATION		1,145	4,687	5,832
SAFETY	319	9,428	18,010	27,757
TOTAL LAW, JUSTICE AND PUBLIC SAFETY	4,022	165,027	37,981	207,030
RECREATION AND RESOURCES DEVELOPMENT:				
AGRICULTURE	115	4,952	1,041	6,108
TOURIST DEVELOPMENT			221	221
CONSERVATION	31,022	94,735	15,168	140,925
WILDLIFE RESOURCES	14,969	7,856	4,692	27,517
ECONOMIC AND COMMUNITY DEVELOPMENT			1,201	1,201
TOTAL RECREATION AND RESOURCES DEVELOPMENT	46,106	107,543	22,323	175,972
REGULATION OF BUSINESS AND PROFESSIONS:				
INSURANCE			400	400
FINANCIAL INSTITUTIONS			37	37
TOTAL REGULATION OF BUSINESS AND PROFESSIONS			437	437
TRANSPORTATION	2,126	13,992	63,087	79,205
TOTALS ALLOCATED TO FUNCTIONS	$ 74,080	$ 662,501	$ 175,269	911,850
CONSTRUCTION IN PROGRESS				15,008
TOTAL GENERAL FIXED ASSETS (Notes 1 and 2)				$ 926,858

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS
BY FUNCTION AND ACTIVITY
FOR THE YEAR ENDED JUNE 30, 1987

(Expressed in Thousands)

FUNCTION AND ACTIVITY	GENERAL FIXED ASSETS, JULY 1, 1986	ADDITIONS	RETIREMENTS	GENERAL FIXED ASSETS, JUNE 30, 1987
GENERAL GOVERNMENT:				
LEGISLATIVE	$ 624	$ 84	$ 26	$ 682
CONSTITUTIONAL OFFICES	1,431	406	80	1,757
ADMINISTRATION	145,695	34,142	4,794	175,043
REVENUE	2,061	611	241	2,431
TOTAL GENERAL GOVERNMENT	149,811	35,243	5,141	179,913
EDUCATION	120,107	6,287	54,406	71,988
HEALTH AND SOCIAL SERVICES:				
VETERANS AFFAIRS	8			8
EMPLOYMENT SECURITY	10,206	475	275	10,406
LABOR	786	105	20	871
MENTAL HEALTH AND MENTAL RETARDATION	141,266	1,998	5,112	138,152
HEALTH AND ENVIRONMENT	34,209	2,046	2,218	34,037
HUMAN SERVICES	12,703	2,613	1,485	13,831
TOTAL HEALTH AND SOCIAL SERVICES	199,178	7,237	9,110	197,305
LAW, JUSTICE AND PUBLIC SAFETY:				
JUDICIAL	1,867	898	45	2,720
CORRECTION	128,863	7,304	14,677	121,490
MILITARY	51,786	4,845	7,400	49,231
BUREAU OF CRIMINAL INVESTIGATION	4,535	1,597	300	5,832
SAFETY	27,724	5,865	5,832	27,757
TOTAL LAW, JUSTICE AND PUBLIC SAFETY	214,775	20,509	28,254	207,030
RECREATION AND RESOURCES DEVELOPMENT:				
AGRICULTURE	5,760	382	34	6,108
TOURIST DEVELOPMENT	224	20	23	221
CONSERVATION	134,251	10,321	3,647	140,925
WILDLIFE RESOURCES	23,747	4,425	655	27,517
ECONOMIC AND COMMUNITY DEVELOPMENT	1,181	56	36	1,201
TOTAL RECREATION AND RESOURCES DEVELOPMENT	165,163	15,204	4,395	175,972
REGULATION OF BUSINESS AND PROFESSIONS:				
INSURANCE	373	57	30	400
FINANCIAL INSTITUTIONS	34	3		37
TOTAL REGULATION OF BUSINESS AND PROFESSIONS	407	60	30	437
TRANSPORTATION	75,994	6,794	3,583	79,205
CONSTRUCTION IN PROGRESS	13,928	46,104	45,024	15,008
TOTAL GENERAL FIXED ASSETS (Notes 1 and 2)	$ 939,363	$137,438	$ 149,943	$ 926,858

See accompanying Notes to the Financial Statements.

General Long-Term Obligations Account Group

The General Long-Term Obligations Account Group is maintained to account for the outstanding principal balances of the State's general obligation bonds, for accrued annual and compensatory leave for employees paid from the Governmental Fund Types, and for capital lease obligations.

STATE OF TENNESSEE
SCHEDULE OF CHANGES IN GENERAL LONG-TERM OBLIGATIONS
FOR THE YEAR ENDED JUNE 30, 1987

(Expressed in Thousands)

	BALANCE JULY 1, 1986	GENERAL OBLIGATION BONDS ISSUED	GENERAL OBLIGATION BONDS RETIRED	DEBT SERVICE FUND OPERATIONS	RESERVED FOR BOND CANCELLATION	OTHER INCREASES (DECREASES)	BALANCE JUNE 30, 1987
AMOUNT AVAILABLE IN DEBT SERVICE FUND	$ 1,635			$ 1,523	$ (1,700)		$ 1,458
AMOUNT TO BE PROVIDED FOR RETIREMENT OF LONG-TERM OBLIGATIONS	694,481	$ 113,075	$ 59,925	(1,523)	1,700	$ 15,071	762,879
TOTAL AVAILABLE AND TO BE PROVIDED	$696,116	$ 113,075	$ 59,925	$	$	$ 15,071	$ 764,337
GENERAL OBLIGATION DEBT PAYABLE (Note 3)	$626,570	$ 113,075	$ 59,925				$ 679,720
ACCRUED ANNUAL AND COMPENSATORY LEAVE	69,479					$ 15,098	84,577
CAPITAL LEASE OBLIGATIONS (Note 3)	67					(27)	40
	$696,116	$ 113,075	$ 59,925	$	$	$ 15,071	$ 764,337

See accompanying Notes to the Financial Statements.

College And University Funds

The College and University Funds are used to account for all transactions relating to public institutions of higher education and the state's area vocational-technical schools. These include seven universities, ten community colleges, four technical institutes and twenty-seven area vocational schools. These institutions maintain their own financial records which are not a part of the central accounting system operated by the Department of Finance and Administration.

Two governing boards are responsible for the operations of these institutions - the University of Tennessee Board of Trustees and the State Board of Regents. Coordination between these boards for such things as budgetary and capital outlay requests, the need for and location of new education institutions, and the approval of new academic and degree programs is provided by the Tennessee Higher Education Commission.

The University of Tennessee Board of Trustees - The University of Tennessee was first established in 1794 by the Legislature of the Federal Territory. Since that time it has grown into an institution of twenty-four different colleges and schools. The locations of its four primary campuses, various experimental stations and extension services have made the university state-wide in physical presence as well as in services. The main campus is located in Knoxville. The other primary campuses are located in Memphis, Martin and Chattanooga.

The State Board of Regents - The State University and Community College System of Tennessee was created by the General Assembly in 1972. Its member institutions (six universities, ten community colleges, four technical institutes and twenty-seven area vocational-technical schools) serve the state and its citizenry by providing education opportunities, research, continuing education and public activities. As a system, the institutions span the state and operate as a coordinated network of public education with each campus offering unique characteristics and services. The system consists of the following institutions:

UNIVERSITIES

Austin Peay State University	Clarksville
East Tennessee State University	Johnson City
Memphis State University	Memphis
Middle Tennessee State University	Murfreesboro
Tennessee State University	Nashville
Tennessee Technological University	Cookeville

COMMUNITY COLLEGES

Chattanooga State Technical Community College	Chattanooga
Cleveland State Community College	Cleveland
Columbia State Community College	Columbia
Dyersburg State Community College	Dyersburg
Jackson State Community College	Jackson
Motlow State Community College	Tullahoma
Roane State Community College	Harriman
Shelby State Community College	Memphis
Volunteer State Community College	Gallatin
Walters State Community College	Morristown

The community college movement is relatively new in Tennessee. Emerging from legislative study in the early 1960's, nine of the ten existing colleges were established by the General Assembly between 1965 and 1969. The locations of these institutions were determined by population need patterns. An act of the 1973 General Assembly changed the Chattanooga State Technical Institute to Chattanooga State Technical Community College, representing the 10th community college in the state. A broad range of two-year associate degree programs and one-to-two year certificate of proficiency programs is offered by each college.

STATE TECHNICAL INSTITUTES

Effective July 1, 1983 the governance of the state technical institutes was transferred from the State Department of Education to the State Board of Regents. The names and locations of the state technical institutes are:

Nashville State Technical Institute	Nashville
State Technical Institute at Knoxville	Knoxville
State Technical Institute at Memphis	Memphis
Tri-Cities State Technical Institute	Blountville

Various two-year associate degree programs are available at the technical institutes. In addition, special industrial and community service courses are offered as the demand arises from interested groups.

STATE AREA VOCATIONAL-TECHNICAL SCHOOLS

The state area vocational-technical schools were transferred from the State Department of Education to the State Board of Regents effective July 1, 1983. The twenty-seven area schools are located in the following Tennessee cities:

Athens	McMinnville
Chattanooga	Memphis
Covington	Morristown
Crossville	Murfreesboro
Dickson	Nashville
Elizabethton	Newbern
Harriman	Oneida
Hartsville	Paris
Hohenwald	Pulaski
Jacksboro	Ripley
Jackson	Savannah
Knoxville	Shelbyville
Livingston	Whiteville
McKenzie	

The purpose of the area vocational-technical schools is to provide occupational and technical training for current and future employees of existing and prospective industries and businesses of this state.

STATE OF TENNESSEE
COMBINING BALANCE SHEET
ALL COLLEGE AND UNIVERSITY FUNDS
JUNE 30, 1987

(Expressed in Thousands)

ASSETS	CURRENT FUNDS UNRESTRICTED	CURRENT FUNDS RESTRICTED	LOAN	ENDOWMENT AND SIMILAR	LIFE INCOME
CASH AND CASH EQUIVALENTS	$ 127,779	$ 20,399	$ 4,233	$ 20,575	$ 1,116
CASH ON DEPOSIT WITH FISCAL AGENTS					
INVESTMENTS	7,847	222		48,816	16,148
ACCOUNTS RECEIVABLE, net of allowance for uncollectibles of $25,427 in 1987 and $19,158 in 1986	32,904	28,671	1,022	391	2
NOTES RECEIVABLE, net of allowance for uncollectibles of $7,570 in 1987 and $6,913 in 1986	4,030	10	37,288	578	85
INTERFUND RECEIVABLES (Note 2)	27,911	2,478	274	1,813	
INVENTORIES	22,083				
PREPAID EXPENSES	1,544				
LAND					
STRUCTURES AND IMPROVEMENTS					
MACHINERY AND EQUIPMENT					
CONSTRUCTION IN PROGRESS					
OTHER ASSETS	5	31	46	2,093	
TOTAL ASSETS	$ 224,103	$ 51,811	$ 42,863	$ 74,266	$ 17,351
LIABILITIES AND FUND EQUITY					
LIABILITIES:					
ACCOUNTS PAYABLE	$ 33,724	$ 4,428		$ 801	
ACCRUED LIABILITIES	74,867	256			
INTERFUND PAYABLES (Note 2)	8,649	1,856	$ 15	1	$ 50
NOTES PAYABLE (Note 3)					
BONDS PAYABLE (Note 3)					
LEASE OBLIGATIONS PAYABLE (Note 3)					
DEFERRED REVENUE	28,228				
AMOUNTS HELD IN CUSTODY FOR OTHERS					
DEPOSITS PAYABLE	2,224				
OTHER	11,304				
TOTAL LIABILITIES	158,996	6,540	15	802	50
FUND EQUITY:					
NET INVESTMENT IN PLANT					
FUND BALANCE (Notes 1 and 2):					
RESERVED FOR:					
WORKING CAPITAL	40,941				
ENCUMBRANCES	15,616				
U. S. GOVERNMENT GRANTS REFUNDABLE			34,807		
INSTITUTIONAL LOAN FUNDS			7,998		
ENDOWMENT				60,897	
TERM ENDOWMENT				17	
LIFE INCOME					17,301
PLANT					
OTHER	2,358	45,271			
UNRESERVED:					
DESIGNATED:					
INSTITUTIONAL LOAN FUNDS			43		
QUASI-ENDOWMENT				12,550	
OTHER	5,605				
UNDESIGNATED	587				
TOTAL FUND EQUITY	65,107	45,271	42,848	73,464	17,301
TOTAL LIABILITIES AND FUND BALANCE	$ 224,103	$ 51,811	$ 42,863	$ 74,266	$ 17,351

See accompanying Notes to the Financial Statements.

PLANT FUNDS					TOTALS	
UNEXPENDED	RENEWAL AND REPLACEMENT	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT	AGENCY	JUNE 30, 1987	JUNE 30, 1986
$ 44,296	$ 8,745	$ 23,003		$ 8,152	$ 258,298	$ 278,068
		28,715			28,715	29,549
3,975	4,642			3,609	85,259	72,100
816	169	59		177	64,211	59,076
2,768					44,759	46,143
— 7,060	12,629	1,874		416	54,455	20,892
					22,083	18,504
					1,544	1,368
			$ 55,397		55,397	52,061
			1,210,988		1,210,988	1,125,644
			499,010		499,010	449,539
			22,826		22,826	46,401
			2,358	2,230	6,763	2,480
$ 58,915	$ 26,185	$ 53,651	$ 1,790,579	$ 14,584	$ 2,354,308	$ 2,201,825
$ 4,937	$ 166		$ 413	$ 52	$ 44,521	$ 37,814
5			841		75,969	60,251
					10,571	8,566
2,918			32,151		35,069	44,191
			262,789		262,789	272,844
			8,447		8,447	11,002
					28,228	24,763
				14,532	14,532	5,812
					2,224	3,423
81					11,385	5,187
7,941	166		304,641	14,584	493,735	473,853
			1,485,938		1,485,938	1,347,911
					40,941	39,353
					15,616	14,254
					34,807	36,039
					7,998	7,587
					60,897	51,169
					17	1,130
15,648	142	$ 31,990			17,301	16,985
					47,780	88,009
					47,629	42,268
					43	39
35,223	25,877	4,905			12,550	4,924
103		16,756			71,610	63,918
					17,446	14,386
50,974	26,019	53,651	1,485,938		1,860,573	1,727,972
$ 58,915	$ 26,185	$ 53,651	$ 1,790,579	$ 14,584	$ 2,354,308	$ 2,201,825

Supplementary Schedules

SCHEDULE 1

STATE OF TENNESSEE
DEBT SERVICE REQUIREMENTS TO MATURITY
GENERAL OBLIGATION BONDS
JUNE 30, 1987

(Expressed in Thousands)

FOR THE YEAR ENDED JUNE 30	GENERAL LONG-TERM DEBT			STATE LOAN PROGRAM FUND DEBT		
	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
1988	$ 64,117	$ 39,887	$104,004	$ 2,805	$ 3,945	$ 6,750
1989	61,367	36,420	97,787	2,975	3,792	6,767
1990	61,367	33,041	94,408	3,050	3,629	6,679
1991	58,717	29,745	88,462	3,195	3,461	6,656
1992	53,917	26,511	80,428	3,355	3,285	6,640
1993	47,376	23,596	70,972	3,550	3,100	6,650
1994	47,376	20,836	68,212	3,715	2,903	6,618
1995	44,376	18,161	62,537	3,900	2,695	6,595
1996	38,876	15,566	54,442	3,775	2,474	6,249
1997	27,076	13,308	40,384	3,015	2,256	5,271
1998	22,336	11,564	33,900	3,070	2,079	5,149
1999	22,336	10,042	32,378	3,270	1,896	5,166
2000	22,336	8,512	30,848	3,465	1,700	5,165
2001	20,421	6,980	27,401	3,335	1,490	4,825
2002	20,421	5,591	26,012	3,530	1,293	4,823
2003	15,421	4,201	19,622	3,120	1,082	4,202
2004	15,421	3,229	18,650	3,310	891	4,201
2005	15,421	2,257	17,678	3,195	688	3,883
2006	15,421	1,287	16,708	1,930	488	2,418
2007	5,621	315	5,936	1,090	361	1,451
2008				1,160	279	1,439
2009				1,235	192	1,427
2010				1,325	99	1,424
TOTALS	$ 679,720	$ 311,049	$990,769	$ 66,370	$ 44,078	$110,448

STATE OF TENNESSEE
DEBT SERVICE REQUIREMENTS TO MATURITY
REVENUE BONDS
JUNE 30, 1987

(Expressed in Thousands)

FOR THE YEAR ENDED JUNE 30	HOUSING DEVELOPMENT AGENCY DEBT (NOTE)			LOCAL DEVELOPMENT AUTHORITY DEBT		
	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
1988	$ 25,941	$ 79,792	$ 105,733	$ 1,484	$ 4,276	$ 5,760
1989	27,346	81,281	108,627	1,586	4,174	5,760
1990	29,251	79,239	108,490	1,702	4,058	5,760
1991	30,739	76,996	107,735	1,834	3,925	5,759
1992	33,664	74,517	108,181	1,982	3,778	5,760
1993	35,088	71,804	106,892	2,147	3,614	5,761
1994	35,042	68,947	103,989	2,330	3,431	5,761
1995	36,252	65,938	102,190	2,532	3,228	5,760
1996	49,799	61,947	111,746	2,755	3,005	5,760
1997	39,292	57,793	97,085	2,768	2,758	5,526
1998	41,195	57,320	98,515	3,022	2,504	5,526
1999	36,840	56,928	93,768	2,815	2,296	5,111
2000	37,684	53,583	91,267	3,013	2,099	5,112
2001	35,946	50,326	86,272	2,084	1,885	3,969
2002	45,785	46,620	92,405	2,237	1,733	3,970
2003	48,724	42,215	90,939	2,397	1,570	3,967
2004	51,369	37,549	88,918	2,228	1,396	3,624
2005	52,533	45,857	98,390	2,312	1,231	3,543
2006	50,985	54,557	105,542	1,485	1,060	2,545
2007	49,736	60,089	109,825	1,596	948	2,544
2008	38,636	79,907	118,543	1,715	829	2,544
2009	32,695	77,118	109,813	1,843	701	2,544
2010	29,308	85,409	114,717	1,980	564	2,544
2011	20,434	83,709	104,143	2,065	417	2,482
2012	13,271	82,668	95,939	1,595	264	1,859
2013	15,113	89,151	104,264	942	182	1,124
2014	15,863	86,326	102,189	799	132	931
2015	15,584	68,661	84,245	805	79	884
2016	16,153	28,618	44,771			
2017	14,985	9,998	24,983			
2018	4,828	15,981	20,809			
2019	4,030	149	4,179			
TOTALS	$ 1,014,111	$ 1,930,993	$ 2,945,104	$ 56,053	$ 56,137	$ 112,190

NOTE: Tennessee Housing Development Agency debt principal above is less than that presented in the accompanying financial statements by $11,199. This amount, representing the accretion to date of interest on municipal multiplier bonds, has been reported as bond principal in the financial statements; it is reported above as interest in those years (2005-2018) the bonds mature.

Tennessee State School Bond Authority debt principal above is more than that presented in the accompanying financial statements by $357. This amount represents the write-off of discounts in those years (1988-1992) preceding the first principal payment in 1993.

COLLEGE AND UNIVERSITY DEBT			TENNESSEE STATE SCHOOL BOND AUTHORITY DEBT		
PRINCIPAL	INTEREST	TOTAL REQUIREMENTS	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
$ 9,098	$ 18,628	$ 27,726		$ 4,962	$ 4,962
9,763	18,056	27,819		4,400	4,400
10,366	17,430	27,796		4,400	4,400
11,058	16,759	27,817		4,400	4,400
11,800	16,031	27,831		4,400	4,400
12,413	15,243	27,656	$ 2,047	4,489	6,536
9,377	14,398	23,775	2,160	4,379	6,539
9,902	13,853	23,755	2,279	4,260	6,539
10,467	13,272	23,739	2,410	4,130	6,540
10,756	12,647	23,403	2,549	3,988	6,537
11,157	11,998	23,155	2,702	3,835	6,537
11,824	11,293	23,117	2,868	3,668	6,536
12,422	10,544	22,966	3,053	3,486	6,539
10,889	9,745	20,634	3,189	3,288	6,477
13,229	9,018	22,247	3,400	3,078	6,478
10,595	8,161	18,756	3,159	2,852	6,011
11,307	7,422	18,729	3,374	2,637	6,011
11,974	6,627	18,601	3,608	2,404	6,012
10,216	5,781	15,997	3,853	2,154	6,007
7,477	5,009	12,486	4,119	1,888	6,007
7,122	4,373	11,495	4,407	1,604	6,011
7,712	3,724	11,436	4,705	1,300	6,005
8,372	3,021	11,393	5,032	977	6,009
8,448	2,253	10,701	4,831	631	5,462
7,955	1,482	9,437	5,189	273	5,462
2,205	709	2,914			
2,360	489	2,849			
2,525	252	2,777			
$ 262,789	$ 258,218	$ 521,007	$ 68,934	$ 77,883	$ 146,817

STATE OF TENNESSEE
SUMMARY OF DEBT SERVICE REQUIREMENTS TO MATURITY
JUNE 30, 1987

(Expressed in Thousands)

FOR THE YEAR ENDED JUNE 30	GENERAL OBLIGATION BONDS		REVENUE BONDS	
	GENERAL LONG-TERM DEBT	STATE LOAN PROGRAM DEBT	HOUSING DEVELOPMENT AGENCY DEBT	LOCAL DEVELOPMENT AUTHORITY DEBT
1988	$ 104,004	$ 6,750	$ 105,733	$ 5,760
1989	97,787	6,767	108,627	5,760
1990	94,408	6,679	108,490	5,760
1991	88,462	6,656	107,735	5,759
1992	80,428	6,640	108,181	5,760
1993	70,972	6,650	106,892	5,761
1994	68,212	6,618	103,989	5,761
1995	62,537	6,595	102,190	5,760
1996	54,442	6,249	111,746	5,760
1997	40,384	5,271	97,085	5,526
1998	33,900	5,149	98,515	5,526
1999	32,378	5,166	93,768	5,111
2000	30,848	5,165	91,267	5,112
2001	27,401	4,825	86,272	3,969
2002	26,012	4,823	92,405	3,970
2003	19,622	4,202	90,939	3,967
2004	18,650	4,201	38,918	3,624
2005	17,678	3,883	98,390	3,543
2006	16,708	2,418	105,542	2,545
2007	5,936	1,451	109,825	2,544
2008		1,439	118,543	2,544
2009		1,427	109,813	2,544
2010		1,424	114,717	2,544
2011			104,143	2,482
2012			95,939	1,859
2013			104,264	1,124
2014			102,189	931
2015			84,245	884
2016			44,771	
2017			24,983	
2018			20,809	
2019			4,179	
TOTALS	$ 990,769	$ 110,448	$ 2,945,104	$ 112,190

REVENUE BONDS		
COLLEGE AND UNIVERSITY DEBT	TENNESSEE STATE SCHOOL BOND AUTHORITY DEBT	TOTAL REQUIREMENTS
$ 27,726	$ 4,962	$ 254,935
27,819	4,400	251,160
27,796	4,400	247,533
27,817	4,400	240,829
27,831	4,400	233,240
27,656	6,536	224,467
23,775	6,539	214,894
23,755	6,539	207,376
23,739	6,540	208,476
23,403	6,537	178,206
23,155	6,537	172,782
23,117	6,536	166,076
22,966	6,539	161,897
20,634	6,477	149,578
22,247	6,478	155,935
18,756	6,011	143,497
18,729	6,011	140,133
18,601	6,012	148,107
15,997	6,007	149,217
12,486	6,007	138,249
11,495	6,011	140,032
11,436	6,005	131,225
11,393	6,009	136,087
10,701	5,462	122,788
9,437	5,462	112,697
2,914		108,302
2,849		105,969
2,777		87,906
		44,771
		24,983
		20,809
		4,179
$ 521,007	$ 146,817	$ 4,826,335

STATE OF TENNESSEE
SCHEDULE OF OUTSTANDING DEBT
ALL FUND TYPES AND ACCOUNT GROUPS
FOR THE LAST FIVE FISCAL YEARS

(Expressed in Thousands)

	JUNE 30				
	1983	1984	1985	1986	1987
CAPITAL PROJECTS FUND -					
BOND ANTICIPATION NOTES	$ 46,140	$ 88,520	$ 67,770	$ 115,800	$ 14,800
ENTERPRISE FUNDS:					
LOCAL DEVELOPMENT AUTHORITY NOTES	92,250	78,280	90,200	62,500	61,500
LOCAL DEVELOPMENT AUTHORITY BONDS			58,662	57,455	56,053
LOCAL DEVELOPMENT AUTHORITY CALL PREMIUMS					733
STATE LOAN PROGRAM BONDS	76,205	73,930	71,540	69,025	66,370
TENNESSEE HOUSING DEVELOPMENT AGENCY BONDS	648,639	655,557	822,816	970,386	1,025,310
	817,094	807,767	1,043,218	1,159,366	1,209,966
INTERNAL SERVICE FUNDS:					
INFORMATION SYSTEM SERVICES NOTES	1,522				257
TENNESSEE STATE SCHOOL BOND AUTHORITY NOTES	58,710				
TENNESSEE STATE SCHOOL BOND AUTHORITY BONDS	52,248	52,274	52,300		68,577
TENNESSEE STATE SCHOOL BOND AUTHORITY CALL PREMIUMS	1,533	1,533	1,533		1,979
	114,013	53,807	53,833		70,813
GENERAL LONG-TERM OBLIGATIONS ACCOUNT GROUP - BONDS	583,445	530,820	480,695	626,570	679,720
COLLEGE AND UNIVERSITY FUNDS:					
ENDOWMENT FUND NOTES	16	16	16	16	
PLANT FUND NOTES	2,088	2,067	20,934	44,175	35,069
PLANT FUND BONDS	243,881	238,709	245,477	272,844	262,789
	245,985	240,792	266,427	317,035	297,858
TOTALS	$ 1,806,677	$ 1,721,706	$ 1,911,943	$ 2,218,771	$ 2,273,157

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Statistical And Economic Data

The Statistical Data are presented to give report users a better historical perspective and assist in assessing current financial status and trends of the governmental unit. Economic Data are presented to allow a broader understanding of the economic and social environment in which State government operates.

TABLE I

STATE OF TENNESSEE
REVENUES BY SOURCE
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST TEN FISCAL YEARS

(Expressed in Thousands)

SOURCE	FOR THE YEAR ENDED JUNE 30									
	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
TAXES	$1,553,452	$1,680,202	$1,729,897	$1,800,431	$1,959,263	$2,047,603	$2,295,044	$2,776,915	$2,990,732	**$3,269,689**
LICENSES, FEES AND PERMITS	33,688	35,602	38,260	40,359	45,283	47,601	60,320	64,370	61,935	**71,819**
INTEREST ON INVESTMENTS	29,116	52,394	72,354	60,975	71,243	62,981	56,567	77,935	79,664	**72,520**
FEDERAL	812,669	925,536	1,104,412	1,174,990	1,039,894	1,062,387	1,308,304	1,372,825	1,584,056	**1,823,824**
DEPARTMENTAL SERVICES	139,126	138,246	168,282	179,939	194,046	201,550	215,753	245,246	271,027	**294,701**
OTHER	5,580	5,246	10,083	7,817	13,234	10,148	9,368	10,273	12,858	**16,825**
TOTAL REVENUES-ALL GOVERNMENTAL FUND TYPES	$2,573,631	$2,837,826	$3,123,288	$3,264,511	$3,322,963	$3,432,270	$3,945,356	$4,547,564	$5,000,272	**$5,349,378**

TABLE II

STATE OF TENNESSEE
EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST TEN FISCAL YEARS

(Expressed in Thousands)

FUNCTION	FOR THE YEAR ENDED JUNE 30									
	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
GENERAL GOVERNMENT	$ 142,727	$ 134,539	$ 174,117	$ 179,184	$ 153,618	$ 134,967	$ 134,998	$ 161,615	$ 177,447	**$ 190,744**
EDUCATION	721,100	823,474	916,165	964,925	981,371	970,362	981,080	1,167,879	1,271,638	**1,368,750**
HEALTH AND SOCIAL SERVICES	750,400	825,890	959,620	1,028,512	1,035,710	1,105,524	1,295,742	1,380,586	1,647,763	**1,824,290**
LAW, JUSTICE AND PUBLIC SAFETY	115,607	128,982	145,516	162,715	176,964	193,465	212,925	256,243	300,349	**356,893**
RECREATION AND RESOURCES DEVELOPMENT	53,427	56,941	64,538	68,366	71,031	77,842	112,285	136,274	144,204	**149,999**
REGULATION OF BUSINESS AND PROFESSIONS	11,786	12,722	13,808	14,245	15,330	16,643	13,566	15,920	20,127	**22,362**
TRANSPORTATION	311,769	392,202	479,599	447,850	429,587	427,695	544,367	606,783	654,294	**648,298**
DEBT SERVICE	80,748	80,873	78,104	80,774	85,487	91,596	87,640	83,440	78,929	**100,191**
CAPITAL OUTLAY	59,653	56,681	58,554	52,954	41,280	25,402	31,537	41,211	59,168	**72,741**
TOTAL EXPENDITURES-ALL GOVERNMENTAL FUND TYPES	$2,247,217	$2,512,304	$2,890,021	$2,999,525	$2,990,378	$3,043,499	$3,414,140	$3,849,951	$4,353,959	**$4,734,268**

STATE OF TENNESSEE
TAX REVENUES BY SOURCE
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST TEN FISCAL YEARS

(Expressed in Thousands)

	FOR THE YEAR ENDED JUNE 30									
TAX REVENUES	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
SALES AND USE	$ 785,143	$ 886,515	$ 924,007	$ 981,106	$1,050,605	$1,106,186	$1,277,101	$1,657,724	$1,771,907	**$1,893,948**
GASOLINE	99,101	103,003	94,167	90,511	115,758	115,398	115,270	112,792	143,714	**222,774**
MOTOR FUEL	18,104	20,005	19,646	20,516	30,923	31,869	35,499	36,794	38,940	**50,175**
PETROLEUM PRODUCTS	23,398	23,961	20,062	18,693	17,838	18,244	19,688	19,831	21,352	**21,583**
MOTOR VEHICLE REGISTRATION	84,301	89,894	90,761	89,785	105,635	104,607	111,892	117,897	123,957	**125,897**
INCOME	17,368	18,181	21,403	24,613	30,345	35,521	37,288	42,240	46,057	**44,992**
PRIVILEGE	25,385	28,407	28,473	28,291	26,445	29,072	37,855	41,433	49,418	**59,907**
GROSS RECEIPTS	66,581	71,616	77,051	89,032	99,242	105,787	110,740	112,457	111,269	**114,964**
ALCOHOLIC BEVERAGE	22,249	22,745	23,217	23,249	23,972	24,106	43,490	43,976	43,765	**44,261**
FRANCHISE	37,749	41,001	43,938	45,705	49,511	56,741	89,483	114,722	143,624	**151,213**
EXCISE	170,848	186,089	198,222	193,365	206,535	202,558	229,892	257,383	261,690	**285,304**
INHERITANCE AND ESTATE	57,588	37,493	28,307	26,674	28,639	36,208	36,426	32,939	28,812	**31,757**
TOBACCO	70,767	72,029	73,819	77,058	73,442	78,338	76,874	80,135	80,444	**81,777**
INSURANCE COMPANIES PREMIUM	50,033	55,444	60,006	62,143	63,927	67,345	71,592	85,738	103,402	**120,035**
OTHER	24,837	23,819	26,818	29,690	31,446	35,623	21,954	20,854	22,381	**21,102**
TOTAL TAX REVENUES-ALL GOVERNMENTAL FUND TYPES	$1,553,452	$1,680,202	$1,729,897	$1,800,431	$1,959,263	$2,047,603	$2,295,044	$2,776,915	$2,990,732	**$3,269,689**

STATE OF TENNESSEE
DESCRIPTION OF TAX SOURCES
ALL GOVERNMENTAL FUND TYPES
JUNE 30, 1987

Presented below is a brief description of the state's principal tax sources as shown in the preceding table. Since portions of some of these taxes are ultimately distributed to local governments, the preceding table reflects only those tax collections retained for state purposes.

SALES AND USE TAX - The retail sales and use tax, imposed in 1947, is the state's leading source of revenue. The current rate of 5.5% was made permanent July 1, 1986. The tax is applied to the sale, use, consumption, distribution, lease or rental of tangible personal property and, effective June 1, 1986, was extended to include most admission and amusement charges. Certain services including charges for transient accommodations, storage and parking, and telephone service for regular subscribers are also subject to sales tax. Utilities and anti-pollution equipment are taxed at rates ranging from 1% to 1.5%. Political subdivisions, governmental agencies, charitable and religious groups, non-profit organizations and certain items of tangible personal property including drugs are exempt.

GASOLINE TAX - The gasoline tax was first enacted in 1923. The tax is now levied at the rate of 16¢ on each gallon of gasoline or distillate refined, manufactured, sold, stored or distributed in Tennessee, as well as gasoline or distillate imported into the state. Refunds are granted on gasoline used for agricultural purposes, while political subdivisions and governmental agencies are exempt.

MOTOR FUEL TAX - The motor fuel tax was enacted in 1941. The tax was imposed at the rate of 14¢ per gallon on the sale of diesel fuel until June 1, 1987, when the rate became 15¢ a gallon. Effective July 1, 1984 a tax was levied on motor vehicles powered by liquified gas at rates ranging from $70 for passenger cars to $114 for the largest trucks. Owners of commercial vehicles may be charged additional tax based on number of miles driven in Tennessee.

SPECIAL PETROLEUM PRODUCTS TAX _ The special Petroleum Products Tax (formerly Gasoline Inspection Fee) was first enacted in 1899 for the purpose of assuring that gasoline and oil sold in the state met certain minimum standards. Currently, the rate is 1¢ per gallon on volatile substances having certain gravity level which are produced from petroleum, natural gas, oil shales or coal.

MOTOR VEHICLE REGISTRATION FEES - Since 1905 a fee has been charged for the registration of motor vehicles. Vehicles for personal use are charged $18.75. The fee for motorcycles is $9.75. Motor freight vehicles are charged fees ranging from $37.50 to $1,300.

INCOME TAX - Although Tennessee does not levy a general personal income tax, income derived from dividends and interest on stocks and bonds has been subject to tax since 1929. The tax rate is 6% on dividends from stocks and interest on bonds subject to an exemption of $1,250 for individuals and $2,500 for joint tax returns. Blind persons, pension trusts, profit-sharing trusts and qualifying low income persons 65 years of age or older are exempt from the tax.

PRIVILEGE TAX - The first state privilege tax in Tennessee was levied in 1799. During the ensuing 150 years, 132 business activities were made subject to the tax. Virtually all of these business-related privilege taxes were abolished in 1971 and re-enacted as part of other taxes. Currently, the privilege tax base is provided from litigation taxes, realty transfer, mortgage taxes, and marriage license fees.

GROSS RECEIPTS TAXES - There have been numerous additions, deletions and alterations in the group of taxable privileges comprising the gross receipts tax since it was first imposed in 1937. Currently, the tax covers bottlers, mixing bars, utilities, firearms, and vending machines. TVA payments "in lieu of taxes" based on power sales in Tennessee make up over 75% of collections.

ALCOHOLIC BEVERAGE TAX - The alcoholic beverage tax was enacted in 1939, authorizing the sale of alcoholic beverages in counties and municipalities in Tennessee if approved by local referendum. It provided for a system of state licensing fees and established a gallonage tax on wines and liquors sold in the state. Currently, the tax is levied at the rate of $4.00 per gallon on distilled spirits and $1.10 per gallon on wines, with additional fees for regulatory purposes and for the issuance of licenses and permits.

FRANCHISE TAX - The franchise tax, first collected in 1937, imposes an annual tax for the privilege of engaging in corporate form in the state. The tax is levied at the rate of $2.50 per $1,000 of corporate stock, surplus and undivided profits of domestic and foreign corporations operating in Tennessee.

EXCISE TAX - The excise tax originated in 1923 and has always been a major revenue source. The tax is presently applied at the rate of 6% of annual net earnings from business done in Tennessee by all corporations, co-operatives conducted for profit, joint stock associations, business trusts, state banks, national banks and savings and loan associations. Formulas are used for determining the appropriate tax for corporations doing business in Tennessee as well as other states.

INHERITANCE, ESTATE AND GIFT TAXES - The inheritance tax was first enacted in 1891. Originally the tax was applicable only to property going to collateral heirs, but was extended to direct heirs in 1909. The rate and base are divided into two different classes and apply to all property, real and personal, with certain exemptions applicable to each class. During the 1978 and 1983 sessions of the General Assembly extensive changes were made in the inheritance, estate and gift tax statutes (Chapter 731, Public Acts, 1978 and Chapter 237, Public Acts, 1983). These changes have resulted in substantial delays and decreases in collections.

TOBACCO TAXES - Tobacco taxes were first levied in 1925. The present tax equates to 13¢ per pack of 20 cigarettes and 6% of the wholesale cost for all other tobacco products.

COIN-OPERATED AMUSEMENT TAX - This tax, first enacted in 1983, is now applied to any coin or token-operated machine which contains a free play feature. The annual tax is $350 per device, which may be prorated for machines placed in operation after October in any year.

INSURANCE COMPANY PREMIUM TAX - This tax, first enacted in 1945, is applied to gross premiums paid by or for policyholders residing in this state or on property located in the state. The rate is 1.75% for domestic life insurance companies, 2% for foreign life insurance companies and 2.5% for property and casualty insurance companies.

TABLE IV

STATE OF TENNESSEE
RATIO OF NET GENERAL LONG-TERM DEBT TO
ASSESSED VALUE AND NET DEBT PER CAPITA
FOR THE LAST TEN YEARS

(Expressed in Thousands except Ratio and Per Capita Data)

FOR THE YEAR ENDED JUNE 30	POPULATION	ASSESSED VALUE	GENERAL LONG-TERM DEBT TOTAL (NOTE)	GENERAL LONG-TERM DEBT LESS DEBT SERVICE FUND	GENERAL LONG-TERM DEBT NET	NET GENERAL LONG-TERM DEBT RATIO TO ASSESSED VALUE	NET GENERAL LONG-TERM DEBT PER CAPITA
1978	4,462	$12,739,400	$698,940	$ 1,800	$697,140	5.47%	$156.24
1979	4,533	13,591,900	650,730	2,461	648,269	4.77	143.01
1980	4,602	16,647,800	603,020	2,821	600,199	3.61	130.42
1981	4,612	17,350,600	590,195	2,897	587,298	3.38	127.34
1982	4,633	18,642,000	539,070	2,436	536,634	2.88	115.83
1983	4,678	21,875,000	583,445	2,143	581,302	2.66	124.26
1984	4,732	25,239,000	530,820	6,574	524,246	2.08	110.79
1985	4,758	26,453,000	480,695	3,753	476,942	1.80	100.24
1986	4,798	28,910,000	626,570	1,635	624,935	2.16	130.25
1987	**4,835 (EST.)**	**30,300,000 (EST.)**	**679,720**	**1,458**	**678,262**	**2.24**	**140.28**

NOTE: Total General Long-Term Debt does not include State Loan Program Fund General Obligation Notes and Bonds as follows:

YEAR	NOTES	BONDS
1978	$43,375	$50,905
1979	65,000	49,650
1980	44,000	48,330
1981	49,490	79,995
1982		78,270
1983		76,205
1984		73,930
1985		71,540
1986		69,025
1987		66,370

These obligations are reported as debt of that enterprise in the accompanying financial statements.

TABLE V

STATE OF TENNESSEE
COMPUTATION OF LEGAL DEBT SERVICE MARGIN
JUNE 30, 1987

(Expressed in Thousands)

LEGAL DEBT SERVICE LIMIT (1987 PLEDGED REVENUES OF $405,964 ÷ 150%)	$270 643
LESS - 1987 DEBT SERVICE REQUIRED ON ALL GENERAL LONG-TERM DEBT, INCLUDING STATE LOAN PROGRAM FUND GENERAL OBLIGATION BONDS	106,935
LEGAL DEBT SERVICE MARGIN	**$163,708**

	PORTION PLEDGED	COLLECTIONS FOR FISCAL YEAR 1987 ALL GOVERNMENTAL FUND TYPES	LOCAL GOVERNMENT FUND	TOTAL	PLEDGED PER CENT	PLEDGED AMOUNT
CALCULATION OF 1987 PLEDGED REVENUES, AS ABOVE:						
GASOLINE TAX	5¢ of the 12¢ tax per gallon	$ 222,774	$156,911	$ 379,685	41.7%	$158,202
PETROLEUM PRODUCTS FEE	All	21,583	12,017	33,600	100.0	33,600
MOTOR VEHICLE REGISTRATION FEE	One-half	125,897		125,897	50.0	62,949
FRANCHISE TAX	All	151,213		151,213	100.0	151,213
TOTALS		**$ 521,467**	**$168,928**	**$ 690,395**		**$405,964**

NOTE: Pledged revenues for the last five years are shown below:

FISCAL YEAR	PLEDGED REVENUES	PER CENT INCREASE (DECREASE)
1983	$250,595	2.7%
1984	268,269	7.1
1985	314,286	17.2
1986	352,138	12.0
1987	405,964	15.3

TABLE VI

STATE OF TENNESSEE
RATIO OF ANNUAL DEBT SERVICE FOR GENERAL
LONG-TERM DEBT TO TOTAL EXPENDITURES
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST TEN FISCAL YEARS

(Expressed in Thousands except Ratio Data)

FOR THE YEAR ENDED JUNE 30	DEBT SERVICE	TOTAL EXPENDITURES	RATIO
1978	$80,748	$2,247,217	3.59%
1979	80,873	2,512,304	3.22
1980	78,104	2,890,021	2.70
1981	80,774	2,999,525	2.69
1982	85,487	2,990,378	2.86
1983	91,596	3,043,499	3.01
1984	87,640	3,414,140	2.57
1985	83,440	3,849,951	2.17
1986	78,929	4,353,959	1.81
1987	**100,191**	**4,734,268**	**2.12**

TABLE VII

STATE OF TENNESSEE
SCHEDULE OF REVENUE BOND COVERAGE
TENNESSEE HOUSING DEVELOPMENT AGENCY FUNDS
FOR THE LAST TEN FISCAL YEARS

(Expressed in Thousands except Coverage)

FOR THE YEAR ENDED JUNE 30	DEDICATED REVENUES	RELATED EXPENSES	NET AVAILABLE FOR DEBT SERVICE	DEBT SERVICE REQUIREMENTS	COVERAGE (NOTE)
1978	$ 13,104	$ 712	$ 12,392	$ 11,825	1.05
1979	24,339	928	23,411	20,177	1.16
1980	32,289	1,123	31,166	26,548	1.17
1981	42,335	1,478	40,857	38,609	1.06
1982	45,141	1,600	43,541	44,424	.98
1983	63,336	1,805	61,531	65,174	.94
1984	63,216	1,995	61,221	65,451	.94
1985	80,733	2,385	78,348	83,714	.94
1986	101,095	2,938	98,157	105,117	.93
1987	**97,145**	**2,818**	**94,327**	**102,362**	**.92**

NOTE: Under THDA's series bond resolutions, scheduled amounts of anticipated mortgage loan prepayments are used each year to pay a portion of maturing bond principal. Accordingly, in addition to the net revenue available for debt service shown above, THDA applied some $8.6 million in prepayments against fiscal year 1987's debt service requirements.

STATE OF TENNESSEE
SCHEDULE OF REVENUE BOND COVERAGE
COLLEGE AND UNIVERSITY FUNDS
FOR THE LAST TEN FISCAL YEARS

(Expressed in Thousands except Coverage)

		DEBT SERVICE REQUIREMENTS			
FOR THE YEAR ENDED JUNE 30	FEES AND CHARGES	TENNESSEE STATE SCHOOL BOND AUTHORITY	OTHER THAN AUTHORITY	TOTAL	COVERAGE
1978	$ 155,927	$ 12,939	$1,342	$ 14,281	10.9
1979	174,513	13,109	1,261	14,370	12.1
1980	193,954	13,013	2,038	15,051	12.9
1981	229,638	13,014	1,451	14,465	15.9
1982	262,407	13,009	1,435	14,444	18.2
1983	290,454	12,526	1,349	13,875	20.9
1984	291,675	19,766	1,333	21,099	13.8
1985	352,999	22,126	1,359	23,485	15.0
1986	378,127	25,691	714	26,405	14.3
1987	**421,643**	**27,366**	**715**	**28,081**	**15.0**

STATE OF TENNESSEE
ECONOMIC CHARACTERISTICS*

TENNESSEE'S ECONOMIC GROWTH

The economic future for Tennessee remains bright. The decisions by Saturn and Nissan to locate their production facilities in Tennessee are very visible signs that the state is a desirable place to do business. Characteristics of the state which have been identified as important reasons why firms have chosen Tennessee sites include work-force related factors such as worker productivity, right-to-work laws and low unionization, as well as access to markets and pro-business attitude of the state. Other factors include relatively inexpensive energy, plentiful natural resources and sun-belt location. Tennessee's gross state product as a percentage of gross national product increased from 1.80% in 1978 to 1.83% in 1987, and personal income was 1.58% in the same years.

(Expressed in Millions)

YEAR	GROSS STATE PRODUCT	PERSONAL INCOME	DISPOSABLE PERSONAL INCOME
1978	$ 41,155	$ 28,691	$ 24,934
1979	45,384	32,094	27,861
1980	48,444	35,332	30,563
1981	54,212	39,468	34,109
1982	55,612	41,921	36,353
1983	60,309	44,431	38,538
1984	67,152	49,053	42,977
1985	71,507	52,013	44,424
1986	76,260	55,104	47,735
1987 (EST)	**81,164**	**58,579**	**50,671**

	TENNESSEE GROSS STATE PRODUCT BY SECTOR (Expressed in Millions)			SECTOR AS PERCENTAGE OF 1987 TOTAL
	1977	1982	1987	
MANUFACTURING	$12,663	$17,823	$24,695	30.4%
CONSTRUCTION	1,661	2,260	3,286	4.1
MINING	400	696	663	0.8
TRADE	5,988	8,950	14,215	17.5
SERVICES	3,829	7,140	12,030	14.8
FINANCE, INSURANCE AND REAL ESTATE	4,020	6,600	9,324	11.5
TRANSPORTATION, COMMUNICATION AND PUBLIC UTILITIES	2,729	4,443	7,009	8.6
FEDERAL GOVERNMENT	1,556	2,539	3,070	3.8
STATE AND LOCAL GOVERNMENT	2,527	3,906	5,644	7.0
AGRICULTURE	799	1,255	1,230	1.5
TOTAL GROSS STATE PRODUCT	$36,172	$55,612	$81,166	100.0%

	TENNESSEE AVERAGE ANNUAL WAGE BY SECTOR			PERCENTAGE CHANGE (FROM 1977 TO 1987)
	1977	1982	1987	
MANUFACTURING	$ 10,677	$ 16,324	$ 20,325	90.4%
CONSTRUCTION	10,586	16,262	20,413	92.8
MINING	12,558	19,577	25,672	104.4
TRADE	8,186	11,725	13,839	69.1
SERVICES	8,392	13,373	17,252	105.6
FINANCE, INSURANCE AND REAL ESTATE	10,677	16,421	21,101	97.6
TRANSPORTATION, COMMUNICATION AND PUBLIC UTILITIES	14,256	21,605	27,135	90.3
FEDERAL GOVERNMENT	16,149	23,238	29,209	80.9
STATE AND LOCAL GOVERNMENT	9,176	13,535	17,305	88.6
AGRICULTURE	3,632	7,181	13,817	280.4
AVERAGE ALL SECTORS	$ 9,878	$ 14,838	$ 18,355	85.8%

*Except as otherwise noted, the source for all economic information presented is the Tennessee Econometric Model developed by the Center for Business and Economic Research, College of Business Administration, The University of Tennessee, Knoxville.

MANUFACTURING

Manufacturing investment in Tennessee totaled $1.06 billion in 1986, marking the fourth consecutive billion dollar year for the state. The combined new plant and expansion projects announced are expected to create 19,000 new job opportunities. The tables which follow indicate the state's manufacturing gross product, employment and industrial expansion.

TENNESSEE MANUFACTURING GROSS PRODUCT
(Expressed in Millions)

	1977	1982	1987	PERCENTAGE CHANGE (FROM 1977 TO 1987)
DURABLES:				
FURNITURE AND FIXTURES	$ 381	$ 517	$ 962	152.5%
FABRICATED METALS	833	1,064	2,048	145.9
NONELECTRICAL MACHINERY	1,119	1,673	2,329	108.1
ELECTRICAL MACHINERY	954	1,512	1,779	86.5
TRANSPORTATION EQUIPMENT	687	783	2,326	238.6
OTHER	1,524	1,837	2,964	94.5
TOTAL DURABLES	5,498	7,386	12,408	125.7
NONDURABLES:				
FOOD	1,280	2,161	3,017	135.7
TEXTILES	427	558	642	50.4
APPAREL	919	1,142	1,225	33.3
PAPER	618	1,055	1,605	159.7
PRINTING AND PUBLISHING	510	906	1,540	202.0
CHEMICALS	2,276	3,024	2,530	11.2
RUBBER AND PLASTICS	681	943	1,188	74.4
OTHER	453	648	540	19.2
TOTAL NONDURABLES	7,164	10,437	12,287	71.5
TOTALS	$ 12,662	$ 17,823	$ 24,695	95.0%

TENNESSEE MANUFACTURING EMPLOYMENT
(Expressed in Thousands)

	1977	1982	1987	PERCENTAGE CHANGE (FROM 1977 TO 1987)
DURABLES:				
FURNITURE AND FIXTURES	24.8	20.6	26.6	7.3%
FABRICATED METALS	32.3	33.7	38.7	19.8
NONELECTRICAL MACHINERY	34.1	31.8	37.1	8.8
ELECTRICAL MACHINERY	38.0	37.4	36.4	(4.2)
TRANSPORTATION EQUIPMENT	21.5	22.8	32.3	50.2
OTHER	72.2	61.6	70.7	(2.1)
TOTAL DURABLES	222.9	207.9	241.8	8.5
NONDURABLES:				
FOOD	40.6	38.1	40.0	(1.5)
TEXTILES	28.5	25.4	22.1	(22.5)
APPAREL	72.3	63.7	60.4	(16.5)
PAPER	16.6	16.8	18.3	10.2
PRINTING AND PUBLISHING	25.3	27.8	32.2	27.3
CHEMICALS	57.3	48.5	37.5	(34.6)
RUBBER AND PLASTICS	20.6	19.5	23.8	15.5
OTHER	23.3	19.4	12.2	(47.6)
TOTAL NONDURABLES	284.5	259.2	246.5	(13.4)
TOTALS	507.4	467.1	488.3	(3.8)%

INDUSTRIAL GROWTH IN TENNESSEE
NEW PLANTS AND EXPANSIONS

	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
NUMBER:										
NEW	141	104	90	80	70	73	118	109	118	123
EXPANSIONS	195	136	151	129	158	137	204	253	189	204
	336	240	241	209	228	210	322	362	307	327
INVESTMENT (IN THOUSANDS):										
NEW	$ 177,555	$ 212,002	$ 238,945	$ 922,894	$ 119,147	$ 173,405	$ 207,536	$ 329,403	$3,764,765	$ 360,031
EXPANSIONS	397,536	367,874	353,274	853,470	463,731	587,578	1,116,533	1,015,274	764,083	704,880
	$ 575,091	$ 579,876	$ 592,219	$1,776,364	$ 582,878	$ 760,983	$1,324,069	$1,344,677	$4,528,848	$1,064,911
JOB OPPORTUNITIES:										
NEW	9,542	7,674	5,942	7,294	3,679	5,336	8,154	7,065	14,709	8,361
EXPANSIONS	8,927	6,750	8,922	5,460	9,253	5,602	11,897	15,065	11,041	10,697
	18,469	14,424	14,864	12,754	12,932	10,938	20,051	22,130	25,750	19,058

FIFTY LARGEST INDUSTRIAL EMPLOYERS

(Ranked by Number of Employees)

	COMPANY	NUMBER OF PLANTS	NUMBER OF EMPLOYEES
1.	EASTMAN KODAK COMPANY	2	13,100
2.	MARTIN MARIETTA	3	11,800
3.	TEXTRON INC	3	7,100
4.	MURRAY OHIO MANFACTURING CO.	2	6,000
5.	PHILIPS INDUSTRIES	6	5,287
6.	WICKES COMPANIES, INC	5	4,924
7.	E. I. DUPONT DE NEMOURS & CO.	4	4,402
8.	GENERAL ELECTRIC COMPANY	8	4,326
9.	ARCATA GRAPHICS	2	4,069
10.	ALUMINUM COMPANY OF AMERICA	1	3,700
11.	LEVI STRAUSS & COMPANY	6	3,120
12.	GOODYEAR TIRE & RUBBER	1	3,100
13.	NISSAN MOTOR COMPANY LTD	1	3,000
14.	UNITED TECHNOLOGIES	3	2,703
15.	GULF & WESTERN INDUSTRIES	12	2,667
16.	BASF FIBERS	1	2,650
17.	T R W, INC.	6	2,586
18.	A F G INDUSTRIES	3	2,435
19.	FARLEY INDUSTRIES	4	2,375
20.	GENESCO INC.	9	2,368
21.	MAYTAG COMPANY	2	2,350
22.	GANNETT COMPANY, INC	3	2,307
23.	HENRY I SIEGEL COMPANY	7	2,235
24.	SCHERING-PLOUGH, INC.	2	2,220
25.	ARVIN INDUSTRIES	3	2,081
26.	MAREMONT CORPORATION	3	2,081
27.	BROWN GROUP INC	5	2,055
28.	WASHINGTON MANUFACTURING CO.	6	1,995
29.	FORD MOTOR COMPANY	1	1,953
30.	MCKEE BAKING COMPANY	1	1,950
31.	E. W. SCRIPPS COMPANY	2	1,930
32.	TRIANGLE PACIFIC CORPORATION	4	1,857
33.	ALLEGHENY INTERNATIONAL	5	1,838
34.	BLUE BELL INC.	6	1,736
35.	SIEBE, PLC	3	1,728
36.	BRUCE HARDWOOD FLOOR CO.	3	1,642
37.	JIM WALTER CORPORATION	3	1,614
38.	COMBUSTION ENGINEERING, INC.	3	1,605
39.	SPERRY CORPORATION	1	1,595
40.	BOWATER CORPORATION	2	1,580
41.	KRAFT, INC.	4	1,520
42.	KELLWOOD COMPANY	4	1,516
43.	THE TRANE COMPANY	1	1,500
44.	TELEDYNE, INC	4	1,486
45.	ELECTROLUX	3	1,401
46.	STATE INDUSTRIES	1	1,400
47.	UNITED METHODIST PUBLISHING	1	1,384
48.	COCA-COLA BOTTLING COMPANY	5	1,383
49.	TEXAS BOOT COMPANY	3	1,382
50.	BEATRICE INC	3	1,325

SOURCE: Tennessee Department of Economic and Community Development.

AGRICULTURE

Important export commodities such as soybeans, tobacco, feed grains, cotton, and greenhouse and nursery products are among the top income earners for Tennessee farmers.

CASH RECEIPTS
(Expressed in Millions)

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
CROPS	$ 722.8	$ 842.1	$ 996.7	$1,154.2	$1,069.5	$ 893.4	$1,051.2	$1,057.5	$1,100.6	**$1,159.3**
MEAT ANIMALS	566.6	607.5	509.2	425.4	482.1	503.7	647.3	602.5	633.1	**667.4**
DAIRY PRODUCTS	214.7	244.1	287.3	308.5	304.6	295.3	275.9	281.9	293.9	**309.1**
POULTRY AND EGGS	90.0	102.6	108.4	118.6	113.0	107.5	130.6	115.7	118.2	**123.0**
TOTALS	$1,594.1	$1,796.3	$1,901.6	$2,006.7	$1,969.2	$1,799.9	$2,105.0	$2,057.6	$2,145.8	**$2,258.8**

POPULATION AND EMPLOYMENT TREND

The state's population has increased close to 1% per year with a shift in recent years to a net in-migration condition from one of a net out-migration.

(Expressed in Thousands except Unemployment Rates)

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
POPULATION	4,462	4,533	4,595	4,630	4,656	4,676	4,726	4,762	4,798	**4,835**
LABOR FORCE	1,966	2,039	2,080	2,116	2,129	2,180	2,220	2,246	2,299	**2,335**
TOTAL EMPLOYMENT	1,852	1,921	1,928	1,924	1,877	1,930	2,030	2,066	2,117	**2,177**
UNEMPLOYMENT	114	118	152	192	252	250	190	180	182	**158**
TENNESSEE UNEMPLOYMENT RATE	5.8	5.8	7.3	9.1	11.8	11.5	8.6	8.0	7.9	**6.8**
U. S. UNEMPLOYMENT RATE	6.1	5.8	7.1	7.6	9.7	9.6	7.5	7.2	7.1	**6.3**

BANK DEPOSITS, INTERNAL REVENUE COLLECTIONS, SALES AND EFFECTIVE BUYING INCOME

YEAR	(Expressed in Millions) BANK DEPOSITS	INDIVIDUAL IRS COLLECTIONS	SALES	(Expressed in Thousands) EFFECTIVE BUYING INCOME MEDIAN HOUSEHOLD
1977	$ 15,840	$ 2,633	$ 16,962	$12.7
1978	17,288	2,984	19,166	13.4
1979	18,645	3,296	20,733	14.8
1980	19,875	3,892	21,096	15.8
1981	21,251	4,230	22,972	17.0
1982	23,012	4,231	24,354	19.0
1983	25,070	4,172	26,165	19.8
1984	27,422	4,354	29,644	21.3
1985	29,334	4,550	31,817	19.8
1986	**31,400(EST.)**	**4,760(EST.)**	**34,857**	**20.4**

NEW PRIVATELY OWNED HOUSING UNITS AUTHORIZED IN PERMIT-ISSUING PLACES VALUATION OF BUILDING PERMITS ISSUED

(Expressed in Thousands)

YEAR	VALUATION	YEAR	VALUATION
1977	$ 642,700	1982	$ 701,100
1978	805,200	1983	1,202,700
1979	728,600	1984	1,406,633
1980	610,800	1985	1,632,906
1981	392,000	**1986**	**1,808,228**

SOURCES: The Tennessee Econometric Model, Tennessee Department of Employment Security Labor Force Summary, Sales and Marketing Management, and U. S. Bureau of the Census Construction Reports.

POPULATION, TAX BASE AND PERSONAL INCOME

(Expressed in Thousands)

YEAR	POPULATION	ASSESSED VALUE	APPRAISED/ ESTIMATED CURRENT VALUE	PERSONAL INCOME	PER CAPITA INCOME
1978	4,462	$12,739,400	$ 40,260,500	$28,691,000	$ 6.4
1979	4,533	13,591,900	66,257,600	32,094,000	7.1
1980	4,595	16,647,800	72,767,700	35,332,000	7.7
1981	4,630	17,350,600	87,795,800	39,468,000	8.5
1982	4,656	18,642,000	90,992,300	41,921,000	9.0
1983	4,676	21,875,000	93,915,000	44,431,000	9.5
1984	4,726	25,239,000	97,016,000	49,053,000	10.4
1985	4,762	26,453,000	107,331,000	52,013,000	10.9
1986	4,798	28,910,000	112,060,000	55,104,000	11.5
1987 (EST.)	**4,835**	**30,308,000**	**118,100,000**	**58,579,000**	**12.1**

PUBLIC SCHOOL ENROLLMENT GRADES K-12

ACADEMIC YEAR	GRADES K-3	GRADES 4-6	GRADES 7-9	GRADES 10-12	TOTAL ALL GRADES
1977-78	281,621	203,116	232,124	188,159	905,020
1978-79	280,357	202,414	224,585	190,173	897,529
1979-80	274,146	205,877	214,202	189,448	883,673
1980-81	268,985	214,658	210,485	192,554	886,682
1981-82	257,825	212,047	205,791	183,919	859,582
1982-83	255,674	203,806	208,712	177,527	845,719
1983-84	255,855	195,060	213,319	173,054	837,288
1984-85	258,214	189,030	212,953	170,693	830,890
1985-86	261,165	184,545	207,631	173,707	827,048
1986-87	**267,044**	**185,886**	**202,599**	**180,040**	**835,569**

PUBLIC HIGHER EDUCATION INSTITUTIONS
FULL-TIME EQUATED FALL ENROLLMENT

	1977	1978	1979	1980	1981	1982	1983	1984	1985	**1986**
UNIVERSITIES:										
AUSTIN PEAY STATE	3,789	4,001	4,112	4,079	4,107	4,091	4,389	4,306	4,067	**4,015**
EAST TENNESSEE STATE	8,429	8,181	8,348	7,697	7,861	7,907	8,060	7,963	7,986	**7,984**
MEMPHIS STATE	15,836	15,683	15,495	15,195	15,007	15,524	16,483	15,860	15,348	**14,838**
MIDDLE TENNESSEE STATE	9,157	9,109	9,467	9,788	9,593	9,645	9,969	9,794	9,854	**9,915**
TENNESSEE STATE	4,525	4,889	6,473	6,588	6,091	6,128	6,134	5,796	5,232	**5,134**
TENNESSEE TECHNOLOGICAL	6,422	6,517	6,905	7,403	7,369	7,458	7,340	7,068	7,136	**6,902**
UNIVERSITY OF TENNESSEE:										
CHATTANOOGA	4,893	5,042	5,356	5,739	5,709	5,804	6,058	5,764	5,861	**5,727**
KNOXVILLE	26,412	25,371	25,725	25,662	24,402	22,991	22,721	21,780	21,077	**21,449**
MARTIN	4,665	4,652	4,828	5,005	5,153	5,129	5,115	4,857	4,572	**4,531**
NASHVILLE	2,558	2,418	*	*	*	*	*	*	*	*
TOTAL UNIVERSITIES	86,686	85,863	86,709	87,156	85,292	84,677	86,269	83,188	81,133	**80,495**
COMMUNITY COLLEGES:										
CHATTANOOGA STATE TECH.	2,413	2,633	2,997	3,108	3,205	3,405	3,502	3,076	2,607	**2,942**
CLEVELAND STATE	1,911	1,920	1,806	2,113	1,856	2,039	2,034	1,791	1,895	**1,586**
COLUMBIA STATE	1,166	1,248	1,311	1,451	1,353	1,536	1,504	1,383	1,367	**1,560**
DYERSBURG STATE	665	626	671	684	884	1,039	1,058	958	918	**1,001**
JACKSON STATE	1,438	1,522	1,686	1,686	1,683	1,840	1,784	1,601	1,471	**1,473**
MOTLOW STATE	974	1,067	1,124	1,262	1,224	1,352	1,354	1,365	1,181	**1,316**
ROANE STATE	1,662	1,751	1,799	2,139	2,216	2,323	2,368	2,334	2,435	**2,518**
SHELBY STATE	3,137	3,071	3,260	3,443	2,997	3,184	3,297	2,855	2,416	**2,484**
VOLUNTEER STATE	1,658	1,578	1,857	2,078	2,038	2,048	1,973	1,855	1,680	**1,853**
WALTERS STATE	1,797	1,875	2,102	2,286	2,116	2,240	2,244	2,181	2,101	**2,201**
TOTAL COMMUNITY COLLEGES	16,821	17,291	18,613	20,250	19,572	21,006	21,118	19,399	18,071	**18,934**
TOTAL ALL INSTITUTIONS	103,507	103,154	105,322	107,406	104,864	105,683	107,387	102,587	99,204	**99,429**

*Effective July 1, 1980 the Nashville campus of the University of Tennessee was merged with Tennessee State University.

SOURCES: The Tennessee Econometric Model, State Board of Equalization, Tennessee Department of Education and the Higher Education Commission.